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

Prepared by Promontory Australia, a division of IBM

Third Report

29 October 2021

PROMONTORY
an IBM Company

Contents

Abbreviations & Definitions

Abbreviation	Definition
19 Workstreams	Westpac's 19 Workstreams in the Integrated Plan as set out in Section 1.2 of this Report
3LOD	3 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
AUSTRAC	The Australian Transaction Reports and Analysis Centre
BAC	Board Audit Committee
BAU	Business as usual
BCM	Business Controls and Monitoring
BEAR	APRA's Banking Executive Accountability Regime
BLRCC	Board Legal, Regulatory and Compliance Committee
BRC	Board Remuneration Committee
BRiskC	Board Risk Committee
CDE	Critical Data Elements
CEO	Chief Executive Officer
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
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
CRO	Chief Risk Officer
Deep Dive	Meetings that allow for an in-depth examination of a particular topic
Deliverable	Each Workstream comprises a group of Deliverables

Deliverable Target State	Describes the outcomes to be achieved by completing a Deliverable
Director Touchpoints	Periodic meetings between Directors and accountable GEs on specific Workstreams
Divisions	Westpac's business comprises Consumer & Business Banking, Chief Operating Office, Customer & Corporate Relations, Finance, Financial Crime, Compliance & Conduct, Human Resources, Legal & Secretariat, Risk, Specialist Businesses, Westpac Institutional Bank and Westpac New Zealand
ESG	Environmental, Social and Governance
ET	Executive Team
EU	Court Enforceable Undertaking
FCC&C	Financial Crime, Compliance & Conduct
First Report	Promontory's first report on the Independent Review of Westpac's Integrated Plan, dated 5 March 2021
GE	Group Executive (generally reporting to the Chief Executive Officer)
GM	General Manager (generally reporting to a GE)
GTO	Group Transformation Office
HR	Human Resources
Holocentric	The system of record for process data and a central repository for all business processes across Westpac
Integrated Plan or Plan	The plan Westpac has established to address APRA's concerns and to uplift Westpac's risk governance
Interdependency	A linkage across Activities in different Workstreams within the Integrated Plan
IT	Information Technology
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
MPS	Master Program Schedule

Original CORE Program	The July 2020 Customer Outcomes and Risk Excellence Program
Outcome Measures	The qualitative or quantitative measures used to assess whether the desired outcome of the Deliverable, Workstream or Program has been achieved
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
PIR	Post-Implementation Review
Program Dependency	A linkage between a Workstream from the Integrated Plan and another program of work outside of the Plan
Promontory	Promontory Australia, a division of IBM
QBR	Quarterly Business Review
Relevant Matter	Significant or material risk or compliance matters
RAG	Red/Amber/Green rating
RAS	Risk Appetite Statement
RCMSA	Risk Culture Maturity Self-Assessments
RMF	Risk Management Framework
Reporting Date	30 September 2021
Reporting Period	This Report covers the period 1 July 2021 to 30 September 2021
Second Report	Promontory's second report on the Independent Review of Westpac's EU Program
SoAs	Statements of Accountability
SteerCo	The Westpac executive-level Steering Committee for the CORE Program
STVR	Short-Term Variable Remuneration
Third Report or the Report	This report, Promontory's third report on the Independent Review of Westpac's EU Program
Westpac, WBC or the Bank	Westpac Banking Corporation
WNZL	Westpac New Zealand Limited
Workstream or WS	A specific Workstream in the CORE Program, e.g., WS1 refers to Workstream Number 1 on Board Risk Governance

Executive Summary

This is the third report (**Third Report** or **Report**) required of Promontory as Independent Reviewer under clause 15 of the Enforceable Undertaking (**EU**) from Westpac Banking Corporation (**Westpac**, **WBC** or **the Bank**) to the Australian Prudential Regulation Authority (**APRA**) dated 3 December 2020. The Report covers Westpac's activities related to the EU during the period from 1 July 2021 to 30 September 2021 (**the Reporting Period**)[1].

Westpac is required to prepare and implement a plan (**Integrated Plan or Plan**) to remediate risk governance deficiencies as set out in the EU. This Report contains our observations on progress in the implementation of the Integrated Plan up to 30 September 2021. The remediation program supporting the execution of the set out in the Plan is known as the Customer Outcomes and Risk Excellence Program (**CORE Program or Program**).

The CORE Program is an extensive multi-year transformation program that covers both financial and non-financial risk management.

Program Progress

As at 30 September 2021 (the **Reporting Date**), the CORE Program was on track with its delivery timetable, with Activities meeting approved targeted completion dates and Closure Packs delivered to Promontory within committed timeframes. Westpac has delivered Closure Packs for 121 Activities out of the total 327 Activities, over one-third of the Activities by number. Of these, by the Reporting Date, Promontory had assessed 102 Activities as complete and effective. The remaining Activities submitted are under review.

The Program is due to run until 2023. In the earlier stages there has been a focus on the design aspects of the risk governance remediation. As at the Reporting Date, Promontory had assessed 65 of the Plan's 114 Design Activities and deemed them as complete and effective. Implementation work was also tracking to plan. Embed work has commenced but, commensurate with the early stage of the Program, has been relatively limited to date.

As work continues to move from the Design phase to the Implement and Embed phases, Westpac will confront one of the key root causes of its risk governance deficiencies, namely, the ability to execute programs and 'stay the course'. For this reason, there has been an increasing focus on driving ownership, accountability and the right culture into business divisions, consistent with Westpac's Lines of Business (**LOB**) and Three Lines of Defence (**3LOD**) operating model.

The CORE Program is rolling out in an environment of broad organisational change. During coming Reporting Periods, Promontory will be observing how Westpac manages the challenges of implementing concurrent significant change programs both within and outside

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[1] This Report follows Promontory's First report which was issued on 5 March 2021 and dealt with the design of the Integrated Plan, and Promontory's Second Report which was issued on 28 July 2021 and dealt with activities under the Integrated Plan from 1 February to 30 June 2021.

CORE. In this context it is important that there are clear and well understood outcomes associated with these programs. In addition, there will need to be a strong focus on the behavioural and cultural changes that support the sustainability of the reforms that these programs are intended to deliver.

Governance and Management

During the Reporting Period, the Board continued to be engaged in overseeing and monitoring the Program. This oversight occurs primarily through the Board Risk Committee (**BRiskC**). The Board also has regular exposure to the Program through BRiskC Deep Dives and Director Touchpoint sessions with Workstreams.

Promontory has also observed continued attention to the Program at the executive management level, principally through the CORE Steering Committee (**SteerCo**) and CORE Governance Forum. During the Reporting Period, discussion across management governance forums was focused on:

- Program transition from Design to Implement and Embed and corresponding movement of responsibilities to Divisions to implement the Program; and
- progress against timelines.

The attention to delivery within timelines is important, as the breadth of the Program requires discipline around delivery dates. Equally important is continued attention to the quality of the work and the outcomes achieved. Significant long-term change requires reforms that are effective, embedded and impactful, and which are supported by ongoing monitoring and appropriate governance. CORE is a Program that aims to deliver long-term cultural change, which takes time to achieve and which requires an approach that focuses on sustainability.

At the operational level, Promontory observed an increasing focus on key issues and potential risks faced at the Workstream and Divisional level in the governance forums aimed at coordinating divisional implementation. This is sensible and appropriate. Promontory considers that, as the Program progresses, there will be a need for more sharing of information through these forums on both successful and less successful implementation efforts. This will help the CORE Team to learn in 'real time' from the experience of implementation. The ability to rapidly identify and share practical lessons from the implementation across different areas of the Bank will be especially important in instilling the desired cultural changes of the Program.

During the Reporting Period, internal communications continued to play an important role in supporting the culture and behavioural change aspects of the CORE Program. This was, and will continue to be, critical in sustaining the impetus of the Program and mitigating the risk of change fatigue. The communications activity continued to involve frequent communications from the Chief Executive Officer (**CEO**) and senior executives in Westpac and some direct communications from the Chairman to reinforce their ongoing commitment to the Program. During the Reporting Period there was a particular emphasis on encouraging staff to speak

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up about problems or issues as they see them, to reinforce a culture of ownership and responsibility.

In our previous report, we noted the importance of clear messaging from leadership about the desirability of a consistent and open approach to calling out Program risks and 'less than green' ratings. The ability and willingness to do this is essential for the longer-term health of the Program. Inconsistencies with Workstream health status reporting was raised as a medium-rated issue by Internal Audit in the Reporting Period. To address this issue, the CORE Team released enhanced guidance on reporting Workstream health status. The additional guidance provides greater clarity on Program reporting, with the aim of promoting consistency across the Workstreams on health status reports. Promontory will continue to assess whether Program reporting is consistent and whether it supports early identification and mitigation of risks to Program execution.

Program Delivery

The Program continued to manage the risks associated with resourcing, including monitoring Workstreams' resourcing requirements and progress with recruitment. Since the last reporting period, there was a reduction in the number of Workstreams that reported an Amber status for resourcing. This was partly a result of attention given by Workstream leaders, Divisional representatives and Human Resources (**HR**), supported by the CORE Team, to resourcing gaps and recruitment actions. Nonetheless, during the Reporting Period, resourcing continued to be a challenge, especially as the external environment for risk and compliance related roles remained competitive.

It is important in an environment of multiple change programs to carefully manage dependencies both within the Integrated Plan and between the Integrated Plan and programs outside of the EU. In this context Promontory notes the introduction during the Reporting Period of Interconnection Workshops. These Workshops aim to bring greater clarity to how the critical areas of the CORE Program interrelate with each target outcome, improve understanding of roles, responsibilities and sequencing of critical deliverables, and articulate the interconnection of elements for communicating to a wider audience. Westpac is also developing and monitoring detailed task schedules which underlie the overall Workstream plans. The schedules represent an improvement from the previous draft 'work plans' that had varying levels of format, structure and detail, and are intended to allow for better identification of emerging resourcing and sequencing problems.

Promontory observed that quarterly reporting of Program Outcome Measures to the BRiskC and SteerCo commenced during the Reporting Period. This reporting provided a 'top level narrative' of the performance and outcomes being achieved and helped to balance the reporting at the Workstream level, which inevitably focuses on completion of Activities within defined timeframes. The outcome measures are expected to evolve in the next reporting period to include additional customer-oriented measures. Both the Board and SteerCo have requested that the Program continues to improve its performance reporting to focus on demonstrable outcomes from the work being done and how those outcomes can be sustained into the future.

Looking Forward

During the next reporting period, the Program will undergo its first six-monthly review. This will be an opportunity to reflect on progress and the challenges ahead, including to consider whether the governance forums are meeting their objectives.

In our Second Report we noted that given the scale of the Program it would be useful for Westpac to consider whether there are some key areas of the Program that require more intensive effort and therefore warrant a stronger focus. On 21 September 2021, in its Market update, Westpac outlined five key areas - culture and clear accountabilities, end-to-end risk management, embedding 3LOD, data quality and management and stronger oversight and improving execution. Promontory notes that the six-monthly review will formalise those areas in the Program that are likely to present the greatest implementation challenges so that they can be prioritised.

As the Program continues to move into the Implement and Embed phases, Promontory expects to see more evidence of the sustainability of closed Activities to ensure the embedment of sustainable change. We anticipate further work will be required by each Workstream as they seek to provide evidence on the repeated operation of processes and governance arrangements which ensure the ongoing delivery of Deliverable target states.

1. Introduction

1.1. Background

On 3 December 2020, APRA agreed to an EU from Westpac pledging to lift substantially its efforts to address risk governance deficiencies.[2]

Under the EU, Westpac was required to establish a remediation plan, the Integrated Plan, to address APRA's concerns with the Bank's progress in remediating weaknesses and to uplift its risk governance. The remediation program covers both financial and non-financial risk.

Under the requirements of the EU, Westpac appointed Promontory to provide external independent assurance over the design and implementation of the Integrated Plan.

Promontory delivered its first independent assurance report under the EU on 5 March 2021, which focused on providing initial assurance over the status of compliance with the EU in relation to the development of the Integrated Plan. Our Second Report was delivered on 28 July 2021 and, consistent with all quarterly reports going forward, the focus was on ongoing independent assurance of the following:

- the status of Westpac's compliance with the EU;
- the status of Westpac's compliance with 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.

This is Promontory's Third Report on Westpac's response to the EU. This Report covers all activity, including Closure Pack submission, in the period from 1 July 2021 to 30 September 2021.

The status of the Program is reported as at 30 September 2021.

1.2. The Integrated Plan

The Integrated Plan consists of 19 Workstreams categorised into eight themes, as shown in Table 1.1 below.

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[2] See APRA media release of 3 December 2020, "APRA agrees to Enforceable Undertaking from Westpac to address risk governance weaknesses", available at www.apra.gov.au.

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 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

All Activities forming part of the Integrated Plan are currently planned to be completed by December 2023, with Promontory's independent assurance running through to 2024.

1.3.   Scope of the Integrated Plan

Generally speaking, consistent with the scope of the EU, the Integrated Plan encompasses Westpac's Australian operations.

There are two aspects of the scope for which we provide further details below:

- Our First Report noted that Westpac New Zealand Limited (**WNZL**) operations are in scope only to the extent that the Group's Australian Prudential obligations extend to the entity. Following on from this, Westpac has included WNZL within certain Activities in WS17, WS18 and WS19 as set out in its Integrated Plan.
- With respect to Westpac's Australian operations, Westpac and APRA have agreed that, where a business is being sold, Westpac may exclude that specific business from the Integrated Plan, subject to consultation with and agreement by APRA. The current Integrated Plan exclusions are as shown in Table 1.2 below.

Table 1.2: Scope of the Integrated Plan

Category	Scoping	Description

Divisional	Out of scope	• The following businesses are exempt from the scope of the CORE Program, given the status of the sale processes for those businesses:
		
		   o Auto Finance front-book (Auto Finance back-book remains in scope)
		   o Life Insurance (for all Activities due from 1 October 2021 onwards)
		
		• The sales of the following businesses have been completed and are therefore no longer part of the CORE Program:
		
		   o Lenders Mortgage Insurance
		   o Vendor finance
		   o General Insurance

1.4. Promontory's Independent Review Approach

Our role as independent reviewer includes assessing the effectiveness of the Integrated Plan's Design, Implement and Embed Activities:

For Design and Implement Activities, we will determine whether the relevant activities:

- satisfy the relevant criteria for closure in the Integrated Plan; and
- are likely to provide a sound basis for achieving the outcomes of the relevant Deliverable and Workstream, if implemented as intended.

For Embed Activities, we will determine whether the Activities completed have:

- satisfied the relevant criteria for closure in the Integrated Plan; and
- achieved the Target State of the relevant Deliverable and are likely to be sustainable.

A structured process is outlined in Chapter 5 for assessing completion of Activities. We are also in the process of defining our approach to the assessment and closure of Program Deliverables, that is, once Activities comprising that Deliverable have been assessed. In addition to assessing completed Activities, Promontory also monitors and assesses the governance arrangements over the implementation of the Plan and accountability for execution of the Plan.

1.5. Assurance Activities

Document Reviews

During the Reporting Period, we requested and reviewed documents to facilitate our assessment of the following topics:

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- status of Westpac's compliance with the EU;
- status of Westpac's compliance with the Integrated Plan;
- management of execution risks, and the quality of Westpac's governance arrangements;
- how issues related to the Integrated Plan are being identified and managed;
- the sufficiency of funding and resourcing of skilled personnel to support the implementation of the Integrated Plan;
- closed and, if relevant, overdue/extended Activities and provide an opinion on whether the implementation of the Integrated Plan is effective and sustainable; and
- undertake such additional tasks, specific or general, as may be agreed with Westpac and APRA from time to time.

Promontory Deep Dives

Promontory participated in the Deep Dives shown in Table 1.3 below.

Table 1.3: Deep Dives attended by Promontory

Promontory Deep Dive	Date	Topic
Deep Dive 1	16 August 2021	E2E Performance, Remuneration & Consequence Management Process
Deep Dive 2	16 September 2021	Change Control and Deliverable Closure Memo
Deep Dive 3	23 September 2021	Program Scheduling
Deep Dive 4	24 September 2021	Forum Finance
Deep Dive 5	30 September 2021	Program Resourcing
Deep Dive 6	1 October 2021	Program Status
Deep Dive 7	15 October 2021	Finance

Promontory also attended several Westpac BRiskC Deep Dives, in an observer capacity to obtain a better understanding of the internal discussion and challenge provided.

Promontory also attended meetings with Westpac and APRA on the following dates:

Bilateral meetings with APRA

- 16 August 2021 to discuss Westpac's Integrated Plan under the EU.

Tripartite meetings with Westpac and APRA

- 20 July 2021 to discuss Westpac's proposed treatment of the superannuation business;
- 5 August 2021 on Value Chains and risk profiles; and
- 10 September 2021 on risk architecture clarifications.

1.6. Report Structure

This Third Report is structured as follows:

- **Chapter 2** outlines Program progress over the Reporting Period and summarises Promontory's key observations on Program challenges for the future.
- **Chapter 3** summarises Program governance and management.
- **Chapter 4** summarises Program delivery.
- **Chapter 5** provides an overview to Promontory's assessment approach, completed Activities and observations on Closure Packs.
- **Chapter 6 to 12** provides details about Promontory's assessment of completed Activities.

2. Program Progress

2.1. Introduction

As at the Reporting Date, the CORE Program was on track with its delivery timetable, with Activities meeting approved targeted completion dates and Closure Packs delivered to Promontory within committed timeframes. In terms of the overall health of the Program, at the September SteerCo meeting, the Program reported an Amber rating. Improvements in Workstream resourcing were offset by emerging concerns with respect to the schedule and confidence in being able to execute the required work for Q4FY21 by Workstreams and Divisions. Resourcing concerns eased over the Reporting Period as Workstreams and Divisions focused on prioritisation and resourcing needs.

A few Activities had their completion dates formally extended through Westpac's change management process. This has not required adjustments to the overall target completion dates for the relevant Deliverables that these Activities support. However, Promontory will continue to monitor the implications the extensions for these Activities have on the Deliverable completion dates in upcoming reporting periods.

2.2. Activity Completion and On Track Status

As at the Reporting Date, Westpac had delivered Closure Packs for 121 Activities to Promontory over the life of the Program out of a total of 327 Activities. This consisted of 76 Design Activities, 40 Implement Activities and five Embed Activities across 14 of the 19 Workstreams. Of these, Promontory had assessed 102 Activities as complete and effective.

Chart 2.1: Number of Activities delivered by Westpac to Promontory over the life of the Program by reporting periods
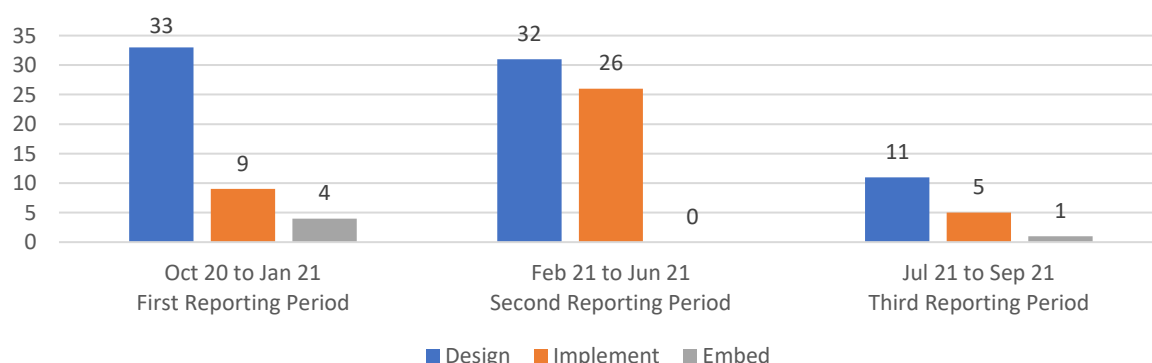
In its initial stages, the CORE Program focused on the Design aspects of the risk governance remediation. As at the Reporting Date, Promontory had assessed 65 of the Plan's 114 Design Activities and 33 of the Plan's 128 Implement Activities as complete and effective. Embed Activity work has commenced, but it is still limited at this stage of the Program. As at the

Reporting Date, Promontory had assessed four of the Plan's 85 Embed Activities as complete and effective.

Of the 102 Activities assessed by Promontory, assessments for 31 Activities were completed during the Reporting Period. This consisted of 15 Design Activities and 16 Implement Activities. This compares with the 65 Activities assessed in the Second Report and six Activities in the First Report that were assessed as complete and effective during their respective reporting periods. Further information on the assessments for the 31 Activities completed during the Reporting Period is provided in Chapter 5.

Table 2.1: Program progress by Workstream as at the Reporting Date

WS	Activities with Westpac			Activities submitted to Promontory		Total
	Work not commenced	Work in Progress	Completed but not yet submitted to Promontory[3]	Assessment underway	Assessed as complete and effective	
1	11	10	0	4	5	30
2	3	5	0	1	3	12
3	3	4	3	1	12	23
4	2	7	2	1	8	20
5	0	4	0	0	13	17
6	15	9	3	3	6	36
7	3	11	3	3	11	31
8	11	6	3	2	10	32
9	6	5	0	0	0	11
10	11	3	5	0	12	31
11	2	2	0	0	0	4
12	6	2	2	1	1	12
13	3	5	3	0	4	15
14	0	2	0	2	14	18
15	3	4	4	0	1	12

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[3] There is a time gap between the Activity's completion by Westpac and the date of submission of the Closure Pack to Promontory due to the time taken to develop the Closure Pack. Westpac aims to complete Closure Packs within one month after the Activity's completion for Design Activities and within two months for Implement and Embed Activities.

16	2	6	0	1	2	11
17	2	1	0	0	0	3
18	2	1	0	0	0	3
19	3	3	0	0	0	6
Total	**88**	**90**	**28**	**19**	**102**	**327**

2.3.   Major Change Initiatives

Promontory observed during the Reporting Period that Westpac had continued to pursue three important change initiatives related to CORE:

- The Lines of Business (**LOB**) Model.
- The management of risks along end-to-end Value Chains.
- The Quarterly Business Review (**QBR**).

The implementation of the LOB Model and the Value Chains approach involve significant changes in reporting lines and accountabilities. Westpac anticipates these changes will bring substantial benefits through reducing organisational complexity, creating transparency and improving clarity of accountability. The QBR is expected to lead to clearer prioritisation of significant projects in keeping with their strategic importance, including change management projects. These initiatives are set out in more detail below.

2.3.1. Value Chains

To improve its management of risks and accountability across the Group, Westpac is adopting a Value Chains framework. This is in addition to implementing a LOB operating model. A Value Chain represents the complete set of activities performed to bring a product or service to market. It is intended to capture every process from product or service inception through to origination and ongoing servicing, supported by enabling processes or Group Functions. Westpac has adopted this approach to allocate clear accountabilities for processes, which are recorded in Statements of Accountability (**SoAs**).

2.3.2. Lines of Business Model

In FY21, Westpac adjusted its business operating model to a LOB model. The operating model created Lines of Business that address specific customer needs, such as mortgages, business lending, financial markets, and global transaction services. Westpac has designed the operating model to simplify its business, improve risk management and clarity around risk obligations, and drive end-to-end accountability into Divisions. For example, in the LOB model, Westpac's Managing Director for mortgages holds end-to-end accountability for the Australian

mortgage business through the value chain ownership model, including distribution, origination, risk, pricing and operations.

The implementation of LOB is also designed to support and uplift the 3LOD model by clarifying risk accountabilities within the Divisions.

2.3.3. Quarterly Business Review

The QBR is a core part of Westpac's strategic planning process that is led by the annual Business Strategy Review (**BSR**) process. During the Reporting Period, the QBR was rolled out across the whole Group, covering all Divisions. The QBR, which forecasts four to six quarters ahead, is a key mechanism to set objectives and key outcomes for run and change priorities, including trade-offs in allocating resources.

During the Reporting Period, the CORE Program was aligned with the QBR process, thereby enabling the CORE Deliverables to form part of the formal group-wide prioritisation and scheduling decision-making process.

As the CORE Program moves into delivering change across the Divisions, through the Program's transition to the Implement and Embed phases, the integration of the Program into the QBR process will become increasingly important. This integration will facilitate improved Divisional prioritisation of resourcing each quarter, including capability and capacity to support business readiness for CORE Program Packages. This should help address a common theme in monthly Divisional health reporting during the Reporting Period around the scale of work and competing resource needs of other critical business-as usual (**BAU**) work.

2.4.   Ongoing Challenges and Focus Areas

Managing both BAU and CORE work

In our Second Report, Promontory observed that the CORE reforms are broad-reaching, long-term and complex, and they require significant behavioural change. We also noted that it will be important for Westpac to actively monitor and address change fatigue, both within the CORE Program and across the range of other reforms within the Bank. During the Reporting Period, we observed that the extent of change across the Group and the related volume of work, as a result of the implementation of activities under the Integrated Plan and BAU activities, is creating challenges for Westpac. Areas of pressure include:

- sequencing and aligning the timing of activities, particularly for those that cut across multiple LOBs;
- consistency of communication, both within LOBs and across teams;
- prioritisation and effectiveness of training; and
- change management as Westpac adjusts to operating within new and updated Group policies and procedures.

Westpac is making a major combined effort across Divisions, Line 2 and the CORE Program to address the challenges identified in prioritising and managing both the CORE reforms and BAU activities. Planning and sequencing for FY22 has begun and Promontory will be paying close attention to how this unfolds. Ongoing executive focus and support, prioritisation of the more challenging and complex components of the Plan and effective change management will be critical to achieving the desired outcomes.

In the upcoming reporting periods Promontory will continue to monitor how Westpac's approach to risk management aligns with the shift of the business to LOB and end-to-end management through the Value Chains. We will also be monitoring the effectiveness of the QBR in ensuring the Implement and Embed Activities continue to be appropriately prioritised and resourced.

Governance

Effective governance continues to be a key to the success of the Program. There have been numerous up-lifts made to Program reporting to enhance monitoring and support governance as the Program matures. During the Reporting Period Promontory observed timely and appropriate reporting to governance forums on the status of the Program. This included implementation progress, key risks, issues and challenges, dependency management and, where appropriate, resourcing and financial performance. Nevertheless, both the BRiskC and SteerCo have requested improvements in performance reporting to focus on demonstrable outcomes from the work being done and how those outcomes can be sustained into the future.

We will continue to monitor how the key governance forums, including at the Board level, respond and adapt to the Implement and Embed Activities. This will include monitoring the continuing shift in emphasis within governance forums towards ensuring that the Program achieves its desired outcomes within all the Divisions.

Six-monthly review

During the next reporting period, the Program will undergo its first six-monthly review. This will be an important opportunity to reflect on progress and the challenges ahead. Promontory will be observing how Westpac manages the challenges of implementing concurrent significant change programs within the Divisions. We will also be testing whether there is a strong focus on outcomes associated with these programs, including relevant behavioural and cultural changes.

3. Governance and Management

3.1. Observations

As noted in our last report, large transformational programs such as CORE require sound and sustained governance and management given the breadth, complexity and interconnectedness of workstreams and activities.

During the Reporting Period we observed an ongoing focus in governance forums on ensuring Program timeframes were met. We also observed that the key management governance forum, SteerCo, adopted a new format to improve transparency on Program progress and key issues. Continued reflection on and refinement of the Program's governance forums will be useful in providing transparency on the ongoing balance between 'speed' and 'quality'.

Effective governance of a program of this scale relies, in part, on consistent and accurate reporting on progress and emerging risks. In this Reporting Period:

- Internal Audit delivered its CORE Program Oversight Review (**the Internal Audit Review**) that provided assurance over the processes and controls relating to varying aspects of the CORE Program discussed further below at 3.3.6.
- Governance forums at both Board and management level maintained a strong focus on Program status and emerging risks to the Program.

There was evidence of constructive challenge within various governance forums with respect to Program risks, with actions documented, monitored, and revisited. This is further discussed in the sections below.

Communications remained prominent during the Reporting Period, with the focus of the communications strategy being on clarity and consistency about what the Program has achieved to date, and the roles that all employees have in the Program. The communications program helped to deliver 'tone from the top' for the Program, with Westpac's senior leaders and Chair featuring in the communication forums during the Reporting Period.

In our previous report we noted the importance of clear messaging from leadership about the desirability of a consistent and open approach to calling out Program risks and 'less than green' ratings. This is essential for the longer-term health of the Program. During the Reporting Period the CORE Team took a number of actions to clarify reporting obligations to ensure that risks are assessed and reported consistently across Workstreams and Divisions. Promontory will continue to assess whether the Program reporting supports early identification and mitigation of risks to Program execution.

During the next reporting period, the Program will undergo its first six-monthly review. This is being used as an opportunity to review the impact, effectiveness and sustainability of the Program. Areas shaping up as key focus areas at this review are:

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- consideration of material developments, reports by Internal Audit and external reviews since the approval of the Integrated Plan in March 2021;
- reflection on progress to date and how to support the success and sustainability of the Program, particularly as it shifts from the Design phase to the Implement and Embed phases; and
- identification of Workstream and Divisional successes and challenges, to facilitate prioritisation and improvements to the Program.

As noted in our previous report, Promontory considers it desirable for Workstream and Divisional forums to increase the focus on sharing implementation challenges and how these can and are being addressed. This will be important as the Program moves into the Implementation phase. Rapidly identifying and sharing practical lessons from implementation across different areas of the Bank will be especially important in instilling the desired cultural changes of the Program.

3.2. Board and Director Oversight

Effective oversight by the Board is important for ensuring that the Program delivers a sustainable uplift in risk governance, especially as the Program expands into implementation and embedment work within the business Divisions. The transition from Design Activities to Implement Activities requires effective and sustainable change across a large and complex organisation. This is a particular challenge within Westpac in light of past execution issues and organisational complexity.

The BRiskC is the Board Committee that has been allocated responsibility for Program oversight. The Board Legal Regulatory Compliance Committee (**BLRCC**) and the Board Remuneration Committee (**BRC**) retain responsibility for specific aspects of the Plan.

During the Reporting Period the Board, both collectively and individually, continued to be engaged and active in overseeing and monitoring the Program. This continued to occur through the same channels as previous reporting periods, namely:

- the relevant Board Committees and BRiskC Deep Dive sessions; and
- Director Touchpoint sessions.

Board Risk Committee

Promontory observed two sessions of the BRiskC related to the CORE Program during the Reporting Period. We observed that the BRiskC had developed a regular operating rhythm for oversight of the Integrated Plan, that it was active in overseeing and monitoring the status of the Activities and that it had engaged on issues identified and the topics presented.

Promontory also attended one BRiskC Deep Dive and the BRiskC annual review of the Group Risk Appetite Statement (**RAS**) during the Reporting Period. The BRiskC Deep Dive related to Data Risk Governance (WS16).

The WS16 BRiskC Deep Dive session provided the opportunity for the BRiskC to question the approach being taken by the Workstream on the pathway to bring data quality risk back within the defined risk appetite. The session covered the complexity of managing critical data elements, the appropriateness of the actions being taken, and the outcome measures used to monitor progress towards the target state.

The BRiskC also devoted considerable time to discussing and challenging the updated Group RAS. The RAS was amended to include a number of changes as a result of developments coming out of the CORE Program, including improved linkages to the material risks structured to align with Westpac's risk taxonomy.

Promontory will continue to observe relevant Board Committee discussions on progress of the Program during the next reporting period, including at the BLRCC and BRiskC.

Director Touchpoints

As discussed in our First Report, Director Touchpoints were introduced to support Board-level governance and oversight across the CORE Program. These sessions involve individual Directors engaging directly with specific Workstreams, Accountable Executives and staff. They are not designed as a substitute for formal Board Committee oversight, but rather to facilitate greater understanding of progress at the Workstream level and allow for individual engagement by Directors.

3.3. Program Governance Arrangements

3.3.1. Management forums

Promontory observed several management-level governance forums during the Reporting Period, including the SteerCo, CORE Governance Forum, Divisional Delivery Governance Forum (**DDGF**), Workstream Governance Forum (**WGF**) and Detailed Design Forum **(DDF)**.

Promontory observed that the key forums operated in alignment with the purpose of each forum as outlined in our First Report. During the Reporting Period, the SteerCo adopted a new format to improve transparency on Program progress and enable a greater transparency and focus on key issues. This facilitated improved prioritisation and engagement with the more challenging and complex components of the Program.

During the Reporting Period discussion across most management governance forums focused on:

- Program transition from Design to Implement and Embed, and the corresponding movement of responsibilities to Divisions;
- progress against timelines; and
- key issues and potential risks faced at the Program, Workstream and Divisional levels.

3.3.2. The CORE Team and key roles

The General Executive (**GE**) Financial Crime, Compliance and Conduct (**FCC&C**) is the executive sponsor of the CORE Program. The CORE Team manages the various aspects of the Program, including managing information flows across the various governance forums, Workstreams, Divisions, and with Promontory. The CORE Team comprises four teams covering program and governance, portfolio leads, communications and Packages.

Westpac has advised that the CORE Team structure and roles will change as needed to ensure alignment with Program requirements as the Program evolves.

3.3.3. Communications

During the Reporting Period communications continued to play an important role in supporting the culture and behavioural change aspects of the CORE Program. There was a focus on the roles that staff play in the Program, and the progress that has been achieved to date. This was supported by senior leadership communications to reinforce their ongoing commitment to the Program. These communications were delivered digitally and via virtual sessions to account for the impact of COVID-19 lockdowns, reaching out to around 25,000 employees working from home.

Table 3.1: Leadership communication

Date	Topic
29 July 2021	Senior Leaders Navigate – GE led nine workshops between 7 July and 29 July 2021 about the root causes of AUSTRAC proceedings
9 August 2021	Culture Offsite for GEs and GMs
10 August 2021	CEO Priorities
16 August 2021	"We're off mute" campaign
19 August 2021	Employee listening Panel
25 August 2021	People Leaders' Forum
31 August 2021	Quarterly CORE Program Update
20 September 2021	Chairman, Backstory podcast
21 September 2021	ESG Market update
29 September 2021	CORE Package 5 and Package Implementation Kick-off

The communications strategy incorporates both group-wide events and campaigns alongside targeted communication initiatives to align with Workstream outcomes. For example:

- **Targeted communications**: In August and September there were senior leadership led sessions about Conduct Risk. The sessions were targeted to support Westpac's

new Code of Conduct that was developed as part the Conduct Risk Workstream (WS13).

- **Group-wide events – internal**: As an example, in August and September the 'We're off mute' campaign facilitated the opportunity for employees to share their views with Westpac's senior leaders. This is part of the broader group-wide objective of maturing Westpac's risk culture so that people feel safe and empowered to 'speak up' in a constructive way.

- **Group-wide events – public**: Westpac's Environmental, Social and Governance (**ESG**) market update in September included the CEO highlighting how the CORE Program is strengthening Westpac's management of risk and risk culture, summarised into five categories:
  1. A strong culture where accountabilities are clear
  2. End-to-end risk management for better customer outcomes
  3. The 3LOD model where everyone has to understand their role in identifying and managing risk
  4. Better data quality linked to better insights
  5. Stronger risk oversight and better execution

The communications strategy has established feedback loops to adapt and refine messaging to support risk and cultural change. This is supported by data from culture change surveys to track behavioural change. For example, during the Reporting Period:

- participant feedback received from the August 2021 employee listening panel and employee panel sessions was used to adapt communications to reinforce effective risk management as foundational to running a simpler, stronger bank; and

- results from Westpac's behaviour and culture change surveys were used to inform the Program's communications. Westpac noted that the survey results show that key behaviours such as constructive challenge and asking the question 'Should We?' have improved steadily since March 2021, helping reinforce the importance of communication in shifting employee behaviour over time.

Packages

Westpac's change delivery mechanism, involving tailored communications and change plan (Package), continued to supplement the Program-level communications. The Package form of communications provides relevant staff with a clear overview of Program Deliverables and their associated Divisional change requirements for the quarter ahead.

As discussed in our Second Report, each Package includes a tailored communications and change plan to ensure that staff understand the purpose of the changes. The Package approach groups Program Activities over the coming 90-day period to create a consolidated view of Divisional change requirements over that period. Each Package is discussed and agreed by Divisional and Workstream representatives in advance of review and approval by the SteerCo. The approach aims to provide early visibility to the Divisions over upcoming Program execution requirements that have broad impacts. This enables timely resource

planning, ensures consistency of implementation across Divisions, and supports the collection of evidence post Activity completion.

During the Reporting Period, Westpac introduced a number of improvements to its Package process that built on its experience with prior Package releases. These improvements included:

- refinements to the Package process, such as communication of Package scopes 120 days prior to launch to improve visibility of the forward view of the Program; and
- an uplift in change management and communications, such as the introduction of a change and communication plan walkthrough sessions 30 days prior to a Package launch. This enables a deeper understanding of Divisional and LOB change impacts and support required.

Package 4 was launched on 29 June 2021. It consisted of six new Activities across 5 Workstreams, and 17 ongoing Activities (introduced from prior Packages) across eight of the 19 Workstreams. The CORE communication strategy for Package 4 was based on the anchor message, "continue to master the fundamentals of proactive, hands-on risk management".

The management-level DDGF was utilised to raise and resolve risks and issues relating to Divisional implementation and Package delivery. For example, over the Reporting Period this forum was utilised to elevate feedback from the Divisions and Workstreams about the Program change requirements and to develop improvements to the associated change management and communications for future Package releases.

Package 5, which was launched on 29 September 2021, consisted of 27 Activities with 12 new Activities and 15 ongoing Activities. The CORE Program message anchor for this next Package was to "continue to strengthen risk muscles with a focus on obligations, issues and incidents".

3.3.4. Program reporting

Promontory continued to observe timely reporting to governance forums on the status of the Program, including implementation progress, key risks, issues and challenges, dependency management and, where appropriate, resourcing and financial performance. There were numerous up-lifts made to Program reporting this quarter to address feedback from the Board and Internal Audit reports, as discussed in Section 3.3.6, and to otherwise enhance reporting as the Program matures.

In response to feedback from the Board, Westpac introduced mapping and tracking risk governance deficiencies and critical risk priorities as part of the Program reporting. This included a deficiency dashboard and a critical risk priorities dashboard that will be used to report quarterly to the BRiskC and SteerCo. This is to facilitate continued oversight of how the CORE Program and non-CORE Program initiatives are resulting in improvements to risk governance and delivering improved risk management outcomes.

Reporting of Program Outcome Measures on a quarterly basis to the BRiskC and SteerCo also commenced during the Reporting Period. This provided a 'top level narrative' of the performance and outcomes being achieved as a result of Activities in the Integrated Plan. These Program Outcome Measures are not specific to the CORE Program but are applied to the Program to assess performance of Westpac's overall transformation, for example, risk culture maturity. These Outcome Measures are expected to evolve in the next reporting period to include additional customer outcome measures. Promontory will continue to observe the development and use of Outcome Measures across different levels of the Program.

Westpac continued to update the Target Outcomes it developed in the prior reporting period to track the progress of key achievements for completion by December 2021. These Target Outcomes are now a consistent part of Program reporting, alongside the Program Outcome Measures, deficiency dashboard and a critical risk priorities dashboard. Together these reports aim to assist in tracking progress of outcomes from the CORE Program and the critical risk priorities.

Inconsistencies within Workstream health status reporting was raised as a medium-rated issue by Internal Audit in the Reporting Period. To address this issue, the CORE Team released enhanced guidance on reporting Workstream health status. The enhanced guidance provides additional clarity, with the aim of promoting consistency across the health status reports.

The CORE Program also completed Workstream confidence assessments for the first time this Reporting Period. The addition of Workstream confidence assessments provides further granularity to support Program planning, reporting and decision-making in the coming periods. The completion of confidence assessments by the 19 Workstreams resulted in the confidence levels being one of the three most common Amber ratings for Workstream health status reporting in the final quarter of 2021. Relevant Workstreams progressed action plans to address the Amber ratings.

As the Integrated Plan progresses, Promontory's closure of Activities has, in some instances, included expectations and follow up items ('caveats') that future Activities should cover. We have included details of these 'caveats' against future Activities in Chapters 6-12. During the Reporting Period, the CORE Team formalised a process to ensure these 'caveats' are tracked and monitored as the Plan progresses. The 'caveats' are now maintained in a central register, with progress regularly reviewed alongside the current Deliverable's Activity, with the objective of ensuring that matters raised by Promontory are tracked and closed out.

As discussed in our Second Report, Westpac is still in the process of transitioning to a central reporting tool.

3.3.5. Line 2 Oversight

As discussed in our Second Report, a more formal Line 2 oversight of the CORE Program was introduced in the previous reporting period.

At the Program level, the Chief Risk Officer (**CRO**), Group Functions and Services Risk Team provides Line 2 oversight of the CORE Program and is also responsible for Line 2 oversight of the Westpac Group Functions. At the Workstream level, the risk oversight Workstream leads review and challenge the Workstreams in flight on their execution. Divisional CROs provide ongoing Divisional implementation and embedment oversight for their Divisions. A risk-based approach is applied to Line 2 oversight.

Line 2 oversight has continued to mature and concentrates on three key areas:

- providing challenge to project execution and Program governance disciplines by monitoring risks and issues, and minimum governance standards;
- providing challenge to Workstream, Divisional and Program status on a monthly basis and through confidence assessments; and
- maintaining visibility across the three components of the CORE Program (Program, Workstream, and Division) to focus on the traceability of Workstream Activities through to Divisional readiness with respect to clarity of outcomes, capability and capacity.

Frequency of oversight ranges from ongoing, to weekly, and monthly, depending on the area of focus covering the Program, Workstream or Division.

Some examples of Line 2 oversight of the CORE Program during the Reporting Period include:

- Program level – providing challenge at governance forums and escalating risk and issue observations identified across Divisions and Workstreams;
- Division level – review and challenge of Package 5 preparations to ensure clear Line 2 integration as part of Divisional embedment; and
- Workstream level – review and challenge of Workstream reporting status and risk and issue management.

3.3.6. Internal Audit Review

Westpac's Internal Audit function is responsible for internal independent review of the Program. Internal Audit also provides review and challenge as a participant in CORE Governance Forum, and conducts independent audits of risk management framework elements as part of the regular audit program approved by the Board Audit Committee (**BAC**).

During the Reporting Period, Internal Audit completed the Internal Audit Review. The Review focused on the processes and controls relating to the following aspects of the CORE Program:

- health status reporting;
- Risk, Assumptions, Issues, Dependencies (**RAID**) management;
- outcomes management;
- change management; and
- confidence assessments.

The Internal Audit Review concluded that there were adequate oversight processes established to meet the Program's Integrated Plan delivery timelines and that the CORE Team's risk resources adequately managed the program's RAID. It identified some weaknesses that, if unaddressed, may increase the risk of failure to deliver future Program delivery and outcomes as the Program moves to the Implement and Embed phases. These weaknesses related to:

- change management;
- Workstream and program health status reporting; and
- aspects of Workstream RAID management in some of the sampled Workstreams.

During the Reporting Period the CORE Team operationalised reporting and controls around health status reporting and Workstreams completed confidence assessments that form part of their health status reporting. We will provide further updates on the response to the Internal Audit review in the next report.

During the Reporting Period, Promontory met with Internal Audit on three occasions as part of monthly discussions about Westpac's internal CORE Program assurance activities, Internal Audit reviews relevant to the Program and to share and exchange views on Program governance.

Internal Audit also delivered approximately 20 further reports during the Reporting Period that had coverage across aspects of the majority of 19 Workstreams.[4] These targeted Internal Audit reviews provided an important check and balance on the adequacy of the design of the Program's Activities to achieve their objective of enhancing the maturity of risk management maturity across Westpac's Divisions and LOBs. For example, Internal Audit's review of Westpac's risk culture management identified some opportunities for improvement in responding to the findings of the Risk Culture Maturity Self-Assessments that are a Workstream 3 Deliverable.

The BAC approved Internal Audit's plan for FY22 during the Reporting Period. The plan is focused on targeted reviews and continuous monitoring across three areas of the CORE Program:

- review of program oversight;
- review of selected Workstream deliverables; and
- attendance at governance forums.

Where relevant, Promontory will take into account findings from Internal Audit reports on aspects of CORE, as well as management's responses to them, in our assessment of the Program.

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[4] Internal Audit does not review the CORE deliverables in Workstream 1 (Board Risk Governance) and Workstream 11 (Assurance) due to potential conflict of interest, and it does not review Workstream 2 (Culture and Capability) due to the specialist resourcing needs for the subject matter of this workstream.

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4. Program Delivery

4.1. Observations

As observed in the previous reporting period, funding is in place to support the CORE Program.

During the Reporting Period there was close monitoring of the resourcing requirements and progress on recruiting for Workstreams. Towards the end of the Reporting Period there was a positive trend in reporting to the SteerCo, that showed a reduction in the number of Workstreams reporting an Amber status for resourcing. This was partly a result of concentrated attention by the Workstream leaders, Divisional representatives and HR. It was also partly due to actions from the CORE Team in response to resourcing gaps and recruitment needs. Resourcing continues however to be identified as a challenge both at the Program level and within the Divisions.

During the Reporting Period the CORE Program was aligned with the QBR, which is Westpac's internal group prioritisation mechanism. As discussed in Section 2.3.3, this mechanism enables CORE Deliverables to form part of the group-wide prioritisation and scheduling decision-making process. This helped facilitate Divisional prioritisation of resourcing each quarter. Going forward this may help to address a common theme, identified from monthly divisional health reporting during the Reporting Period, around the scale of work and competing resource needs of other critical BAU work.

With respect to sequencing, the Interconnection Workshops aimed to bring greater clarity to how the critical areas of CORE Program interrelate with each target outcome. They also aimed to improve understanding of roles, responsibilities and sequencing of critical deliverables, and articulate the interconnection of elements for communicating to a wider audience.

Quarterly reporting of Program Outcome Measures to the BRiskC and SteerCo commenced during the Reporting Period. This reporting helps to measure the Program performance and outcomes being achieved. This Program-level reporting also helps balance reporting at the Workstream level, which inevitably focuses on completion of Activities within defined timeframes. The quarterly reporting will also assist the monitoring of consistent implementation and the identification of any issues arising that may undermine target outcomes.

As the Program transitions to the Implement and Embed phase, our assurance activities will shift from assessing the soundness of design to the effectiveness of implementation. This will include implementation across Divisions and lines of defence. In the Embed phase our assurance activities will shift to the assessment of whether the Program has achieved consistent outcomes, and the prospects of sustaining the target states. Further work will be required by all Workstreams as they seek to provide evidence of the repeated operation of processes and governance arrangements, and the positive outcomes required to establish the ongoing sustainable delivery of target states.

Westpac has identified challenges with the scale of change across its Divisions when placed alongside its ongoing business operations. During the Reporting Period we observed examples of Divisions identifying and raising potential delivery risks; it is critical that this continues. Actions to address these challenges include, for example, reviewing the quality and quantity of training, and integrating the CORE program into Westpac's QBR process. Maintaining the momentum in the next phase of the Program will continue to require careful management of Westpac's capacity to effectively manages priorities, to deal with resource tensions that will inevitably arise, and to take steps to combat change fatigue.

4.2. Funding and Resourcing

4.2.1. Funding

Westpac continues to manage a multi-year funding program to enable delivery of the Integrated Plan. Monthly reporting on the financials of the Program continued to be provided at the CORE Governance Forum meetings during the Reporting Period. As of the Reporting Date, Westpac considered the funding for FY21 to be sufficient, with cash spend lower than the initial estimates provided by each Workstream at the time the Integrated Plan was finalised. Despite the lower spend, Westpac reports that intended milestones are still being met in a timely manner and without encountering financial constraints.

Our Second Report noted that the GM, CORE had begun meeting with the Accountable Workstream GMs on a quarterly basis, in line with the Group's QBR. In the August 2021 QBR, Westpac shifted its focus to confirming the estimated spend profile for FY22. Program estimates are built from forecasts provided by the individual Workstreams, with the current QBR forecast budget for FY22 exceeding the target spend. Differences between the bottom-up QBR forecast and the overall target spend are currently being resolved with the Workstreams.

As we noted in our First Report, funding for Implementation and Embedment Activities within each Division is captured as part of the Divisional budgets and confirmed through the QBR process. The relevant Accountable Executives in each Division have accountability for implementing and embedding the relevant CORE activities and confirming that relevant resources are available for the effort required.

4.2.2. Workstream specific resourcing

The CORE Team continued to focus on managing the ongoing risks associated with resourcing, including by monitoring Workstreams' resourcing requirements and progress with recruitment. Compared with the previous reporting period, there was a reduction in the number of Workstreams reporting an Amber rating for resourcing.

Nonetheless, during the Reporting Period, resourcing continued to be a challenge. The Workstreams reporting an Amber rating on resourcing pointed to a number of underlying factors that contributed to the resourcing concerns. Examples included:

- factors external to Westpac, such as the competitive market for candidates with relevant subject matter expertise; and
- factors internal to Westpac, such as recruiting and onboarding complexities in the lockdown environment.

Westpac continued to use approaches established in the previous reporting period to address resourcing risks, monitor the resourcing status, and facilitate the Workstreams' transition to a Green rating. Examples included:

- use of 'critical' or 'key' role classification to identify roles that will impact Workstreams' ability to deliver on Activities to committed timeframes if not filled;
- selective use of external consultants to ensure delivery dates are met and extension of existing contracts to allow for external consultants to transition knowledge to newly onboarded Westpac staff; and
- weekly stand-ups with the Human Resources (**HR**) and Recruitment teams to discuss challenges, progress and actions.

In our previous Report, it was noted that a new process was being established to enable the CORE Team to manage resourcing. This process commenced in July 2021 and requires, on a quarterly basis, the Accountable Workstream GMs to present schedules, funding and resource forecasts for review and challenge by the GM, CORE.

Although Westpac has made improvements on the number of Workstreams reporting Amber on resourcing since the previous reporting period, it has acknowledged that it needs to remain focused on resourcing throughout the life of the Program. Going forward, Promontory will continue to monitor:

- how Westpac facilitates the transition to or maintenance of Workstream resourcing status at Green;
- progress on the RAG status for the 19 Workstreams;
- progress on the action plans for the risks relating to Workstream resourcing; and
- if any new resourcing risks or issues arise, and how the QBR process is used to resolve those concerns.

4.2.3. Division specific resourcing

Since the last reporting period, the number of Divisions reporting an Amber rating for resourcing has moved from three, as at the end of the previous reporting period, down to one at the end of the current Reporting Period. The driver of the remaining Amber rating for resourcing was due to a delay in onboarding key resources combined with managing competing Program priorities.

Continuing to identify and raise potential delivery risks due to resourcing is an important component of Westpac governance arrangements. During the Reporting Period we continued to observe resourcing challenges being raised and discussed at various governance forums. For example, in the July 2021 SteerCo, the need for greater visibility was raised in the context of trade-off decisions in prioritising CORE Program work against Divisional work. The action has since been closed through the trade off and prioritisation decisions made via the QBR process.

Divisional resourcing risk is managed by Divisional Implementation Leads engaging with their respective Divisions to understand and outline resourcing constraints and associated requirements.

Promontory will continue to observe Divisional health around resourcing, status on related action plans, whether any new related risks or issues arise, and how the QBR process (discussed in Section 2.3) is used to assist in resolving resourcing concerns.

4.3.   Dependencies and Scheduling

4.3.1. Program Dependencies[5]

Westpac continued to capture details on program dependencies, with five program dependencies remaining open as at the end of the Reporting Period. No new program dependencies were identified; however, one dependency was split out into three phased dependencies to reflect three different Workstreams supplying to one program external to the CORE Program.

4.3.2. Interdependencies[6]

Westpac's ability to appropriately sequence interconnected inputs is critical for a complex program like the CORE Program. Westpac introduced Interconnection Workshops during the Reporting Period. The Interconnection Workshops are designed to:

- bring clarity to how the critical areas of CORE Program interrelate with each target outcome (including identifying critical deliverables for FY21 and the critical outcomes to be achieved by the end of FY23);
- improve understanding of roles, responsibilities and sequencing of critical deliverables; and
- articulate the interconnection of elements for communicating to a wider audience.

The Interconnection Workshops focused on three main areas spanning multiple Workstreams in the Integrated Plan. These included 3LOD (Workstreams 3, 4, 6, 8 and 11), E2E Risk

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[5] Program Dependencies refer to linkages between Workstreams and other programs of work outside the Integrated Plan that are underway within Westpac.

[6] Interdependencies refer to linkages across Workstreams within the Integrated Plan.

Management (Workstreams 8, 9, 10 and 12) and Culture, Behaviours and Consequences (Workstreams 2, 3, 4 and 5).

Interdependencies Register

Westpac continued to capture details on interdependencies, with 50 interdependencies closed during the Reporting Period and 108 interdependencies remaining open.[7] We note that 20 new interdependencies were identified and recorded during the Reporting Period, of which six were closed. As discussed in our First Report, the mechanisms and processes Westpac have in place to identify and manage interdependencies continue to assist with the review, tracking and updating of interdependencies.

Interdependencies continue to be closed out on a monthly basis. 'Closed' dependencies refer to those that are no longer considered active. With one exception, all interdependencies that were due within the Reporting Period were closed out by the respective due date; the exception was closed out after the due date but before the end of the Reporting Period.

The CORE Team identified a number of opportunities for improvement with respect to interdependency management, primarily in relation to the adequacy and timing of engagement between dependent Workstreams. Promontory will continue to monitor the enhancement of the dependency management approach, including actions implemented by Westpac to improve the level and timeliness of Workstream engagement.

Reporting on interdependencies, including progress, issues and escalations, continued to be provided to key program governance forums, including the SteerCo and CORE Workstream GM Governance Forum. The CORE Team continued to maintain oversight over dependency management through the CORE Governance Forum.

4.3.3. Scheduling

During the previous reporting period, we noted that Westpac was in the process of documenting Workstream level schedules. This work was driven by the Master Program Scheduler who sits within the CORE Team.

During the Reporting Period Westpac completed documenting the Workstream level (and in some instances, sub-Workstream level) schedules for the 19 Workstreams. The work resulted in 26 separate schedules across the 19 Workstreams. The need for some sub-Workstream schedules was driven by some discrete Deliverable initiatives that were captured in separate schedules. The schedules represent an improvement from the previous draft 'work plans' that had varying levels of, format, structure and detail.

The Workstream schedules feed into the Master Program Schedule, which provides an opportunity for Westpac to gauge performance (e.g., view of tasks not completed on time),

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[7] There has been a total of 150 interdependencies closed out to date. This compares with the total of 258 interdependencies recorded in the Program Interdependencies Register to date.

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take a forward-looking view (e.g., impacts on critical paths and interdependencies). The Workstream schedules also assist with reporting. Master Schedule reports allow Westpac to view:

- general progress overview, as a percentage of tasks completed against each Workstream;
- RAG status reporting by Workstream, indicating status of Workstream tasks with Blue (Complete), Red (over 14 days late), Amber (under 14 days late) and Green (on track);
- RAG status of CORE Program tasks; and
- a view of interdependencies between Workstreams and whether those interdependencies have been delivered or otherwise need to be escalated.

Given that the completion of the Workstream schedules and reports from the Master Schedule are recent developments, Westpac acknowledged that the approach will continue to be refined. This includes refining aspects of reporting as well as the operational rhythm of managing the Master Schedule (e.g., reflecting Workstream schedule updates in the Master Schedule). The Master Schedule will allow for sense-checking and reconciliation with the interdependencies register and change request register. It will also allow status reporting by the Workstreams and resourcing updates.

In the next reporting period, Promontory will seek and assess examples of the operationalisation of the Workstream schedules. We will look for evidence demonstrating that they assist in the identification of impacts on scheduling, Westpac's ability to meet timeframes, and the identification of blockages.

4.4.   Change Management

As discussed in our First Report, one of the key objectives of the GTO is to create a single view of major change, define transformation outcomes, and major interdependencies and contentions across the Bank.

To address requests by change teams for more timely and detailed notice of change, existing approaches are aimed at progressing into a GTO-enabled reporting. The GTO is working towards creating a monthly change impact report for the whole Group by FY22. This report will involve a consistent approach to change assessment and design, that captures and documents impacts for all material programs across the Bank for consolidated reporting.

With respect to the identification and resolution of Program Dependencies, the GTO shares these with the CORE Program through the governance forums. Where contentions and dependencies surface, they are resolved and reported through the QBR and are provided to the Executive Team (**ET**) quarterly, as discussed in Section 2.3.

4.4.1. Change Control

During the Reporting Period Promontory attended a Deep Dive on change control. This provided us with an update on how changes are managed within the CORE Program and how the change control process has evolved.

The Program Change Control Management Framework was defined and operationalised at the same time that the Integrated Plan was approved under the EU. Since then, Westpac has periodically reviewed and updated this framework, with a view to maturing the processes and operating rhythm, as well as ensuring the specificity of definitions, minimum standards, and roles and responsibilities.

Changes that impact the Integrated Plan go through the change control process. The process applies different approval requirements depending on defined change request ratings (i.e., material, major, moderate). The table below shows two examples of change requests which were raised during this Reporting Period but are pending formal approval.

Table 4.1: Examples of change requests

Impacted Deliverable or Activity	Description of change	Reason for change	Change Impact Category	Status
16.2.2	Proposed date extension to implement and embed activities	To allow sufficient time (12-month period) for Divisional implementation and embedment and associated validation activity.	Major	Open
12.1.3	Change activity descriptions from 'standards' to 'policies' for all references to both Obligations Library Policy and Obligations Management Policy to reflect actual delivery enabling the Closure Pack to be aligned with the CORE plan	To refer to obligations policy, not standards	Minor	Open

4.5. Sustainability

Achieving sustainable change to risk governance and risk management requires effective implementation and embedment of sound practices across all areas of the Bank. This should become more evident as the Activities transition from the Design to the Implement and Embed phases. During the upcoming reporting periods, Promontory will observe Westpac's risk and business practices to determine the extent to which the desired outcomes are being achieved and whether they are sustainable.

4.5.1. Outcome Measures

As discussed in our Second Report, Program Outcome Measures and Target Outcomes have been designed by Westpac to ensure greater focus on, and provide signposts of, the desired transformation in the Bank.

The Program Outcome Measures (as at 31 August 2021) were reported at the September SteerCo meeting. The data reported showed a general improvement across most Outcome Measures

Outcome Measures, which are important in assessing overall Program progress and demonstrating sustainable improvements to Westpac's risk governance, will be reviewed and confirmed as part of the six-monthly review of the Integrated Plan. Promontory will continue to closely monitor the quality of the measures used and how Westpac is progressing towards the Program Outcomes Measures and the key achievements targeted for completion by December 2021.

Examples of Target Outcomes achieved by the Reporting Date include:

- A new risk taxonomy was established and is being used throughout the Group.
- Value chains for Consumer & Business Banking and Westpac Institutional Bank were mapped and residual risk assessments for high inherent rated risks were completed.
- High Rated issues were routinely closed on time, with new extensions becoming the exception rather than the norm.
- The Strategic Insights Platform for reporting introduced enhanced reporting and analytics capabilities (e.g., quality assurance measures over controls and alerts to business leaders).

We note that Westpac's Target Outcomes are largely qualitative in nature. Westpac is in the process of developing Target Outcomes for 2022 and onwards that better reflect objective and measurable metrics.

4.5.2. Deficiencies

Our First Report noted that Westpac had adopted a structured approach to determining the contents of the Integrated Plan. This started with a consideration of the key root causes of its risk governance deficiencies and the compilation of deficiencies to be addressed through the implementation of the Integrated Plan. Our Second Report noted that Westpac had enhanced its approach to the monitoring and reporting of deficiencies, including:

- more granular mapping of deficiencies to Deliverables; and
- tracking of deficiencies within CORE governance mechanisms.

During the Reporting Period, the SteerCo and BRiskC meetings began receiving enhanced reporting through the deficiencies dashboard. A total of 222 deficiencies were identified as part of the review process. Corresponding actions to address the deficiencies were identified and progress is tracked through corresponding Deliverables and Initiatives.

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Promontory will continue to monitor how deficiencies are tracking across upcoming reporting periods.

5. Deliverables Progress and Assessment

5.1. Promontory's Assessment Approach

As described in previous reports, Promontory takes a structured approach to assessing completed Activities. This approach begins when Westpac submits a Closure Pack that includes collated material to evidence completion of the Activity. This typically includes frameworks, policies and procedures, guidance materials, communications, governance forum papers, system data extracts and other relevant information. Each Closure Pack is signed off by the relevant GE responsible for the Activity's delivery, as per APRA's Banking Executive Accountability Regime (**BEAR**) obligations.

Promontory performs an initial assessment of the effectiveness of the Activity. Where required, Westpac is requested to provide additional information to enable us to assess whether the Activity is complete and effective. The requested information typically includes additional documentary evidence, interviews with relevant staff, and walkthroughs of processes, systems and platforms. In addition to the evidence provided to us, our assessments also take into consideration relevant regulatory, legislative and related industry best practices.

In assessing effectiveness, we look for evidence that the specific tasks described in the Activity have been carried out. We also for evidence that the Activities have contributed to achieving the Target State of the relevant Deliverable. In order to assess an Activity as complete and effective we consider the following:

- For <u>Design Activities</u>, the Activity Closure Criteria should be met, and there should be evidence of a sound basis for the Deliverable's Target State to be sustainably achieved.
- For <u>Implement Activities</u>, the Activity Closure Criteria should be met, any outstanding queries identified by Promontory in assessing the preceding Activity have been addressed, there is evidence of progress being made towards the relevant Deliverable's Target State being achieved and, consideration given to sustainability of the Activity being implemented, in particular whether practical and reasonable Outcome Measures have been designed, to support maintenance of the relevant Deliverable's Target State on an ongoing basis.
- For <u>Embed Activities</u>, the Activity Closure Criteria should be met, any outstanding queries identified by Promontory in assessing the preceding Activity have been addressed, there is evidence of the Deliverable's Target State being achieved, including the systems and processes designed for the Deliverable are operating effectively in addressing the Target State, there is evidence of the Deliverable Outcome Measures being met to the required level.

We make and communicate a final assessment considering the factors described above, as well as taking into account the interconnection and dependencies across the different

Activities in the CORE Program. Our final assessment may include factors that we will consider as part of future assessments.

5.2.   Overview of Progress during the Reporting Period

As noted in Chapter 2, the Program tracked to plan during the Reporting Period. The Program consists of 327 Activities (114 Design Activities, 128 Implement Activities and 85 Embed Activities). Promontory received Closure Packs during the Reporting Period for 17 Activities, bringing the total number of Activities submitted to Promontory for assessment to 121 (76 Design Activities, 40 Implement Activities and five Embed Activities). All Closure Packs received during the Reporting Period were provided to Promontory within the expected timeframes.[8]

During the Reporting Period, Promontory completed its assessment of 31 Activities (15 Design Activities and 16 Implement Activities), all of which were assessed as complete and effective. A further 20 Activities remained under assessment as at the Reporting Date.

Promontory had completed its assessment of six Activities during the reporting period for our First Report and 65 Activities during the reporting period of our Second Report.

This chapter provides details of our assessments of those Activities that were assessed as complete and effective during the Reporting Period.

Table 5.1: Overview of 31 Activities assessed as complete and effective by Promontory during the Reporting Period

#[9]	Theme	Workstream	Activity	Phase (D/I/E)	Activity Sign-Off Date
1	Board Governance	WS1	1.2.1	Design	18-Aug-21
2	Culture and Capability	WS3	3.3.1	Design	23-Jul-21
3			3.4.1	Design	09-Jul-21
4			3.4.2	Implement	04-Aug-21
5			3.4.3	Implement	30-Sep-21
6		WS4	4.1.1	Design	30-Sep-21
7			4.4.1	Design	6-Aug-21
8		WS5	5.1.1	Design	30-Sep-21
9			5.1.2	Design	15-Jul-21

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[8] Chapter 2 of this Report sets out the expected timeframes for Closure Pack submission.

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

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10			5.1.4	Implement	30-Sep-21
11			5.2.1	Design	09-Jul-21
12			5.2.5	Implement	13-Aug-21
13			5.2.6	Implement	30-Aug-21
14	Transformation Capability & Delivery	WS7	7.7.4	Implement	29-Sep-21
15			8.1.5	Implement	6-Aug-21
16			8.2.3	Implement	6-Aug-21
17		WS8	8.3.2	Implement	6-Aug-21
18			8.7.1	Design	02-Jul-21
19	Risk & Compliance Management		8.7.2	Implement	24-Sep-21
20			10.2.2	Implement	30-Sep-21
21			10.4.1	Design	27-Aug-21
22		WS10	10.4.2	Implement	30-Jul-21
23			10.4.6	Implement	10-Aug-21
24			10.6.3	Design	10-Sep-21
25	Conduct	WS13	13.1.2	Implement	29-Jul-21
26			13.1.3	Design	27-Sep-21
27			14.2.1	Design	09-Jul-21
28	Complaints	WS14	14.2.2	Implement	09-Jul-21
29			14.3.5	Implement	9-Aug-21
30	Technology & Data risk	WS16	16.1.1	Design	30-Jul-21
31			16.1.2	Design	30-Jul-21

5.3. Closure Pack observations

There has been a significant amount of work by Westpac in preparing and lodging Closure Packs. The Closure Packs received during the Reporting Period were submitted within the targeted time frames and were generally of good quality. Westpac was responsive to queries raised on Closure Packs and provided briefings and additional evidence to clarify and respond to our queries.

There were instances where Closure Packs did not clearly articulate the steps taken by Westpac in achieving the desired outcome or explain how actions Westpac had taken aligned with the closure criteria for that Activity. This resulted in further materials and discussions with

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Westpac being required during the closure process. To address this issue, Westpac initiated a number of remedial actions to support uplift in the quality of Closure Packs, as well as further guidance and style guides to support writing.

As part of Promontory's assessment, we may identify areas that require further analysis, consideration and review ('caveats') as part of future Activities. In these circumstances, Promontory notes in the assessment, the need for Westpac to show demonstrable change and proven outcomes as part of future Implement and Embed Activities. Further details on this are included in Section 3.3.4.

Westpac is continuing to be responsive to our information requests, including requests for interviews, documentation and walkthroughs.

6. Board Governance Theme Deliverables

6.1. Workstream 1 – Board Risk Governance (WS1)

WS1 relates to Board Risk Governance. The objective of WS1 as set out in the Integrated Plan is:

- *The Board and Board Committees operate effectively, including setting clear direction for Westpac's risk appetite and culture, and providing 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.

Workstream 1 Activity Status

- Westpac: Not commenced
- Westpac: In Progress
- Westpac: Completed, not yet submitted to Promontory
- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
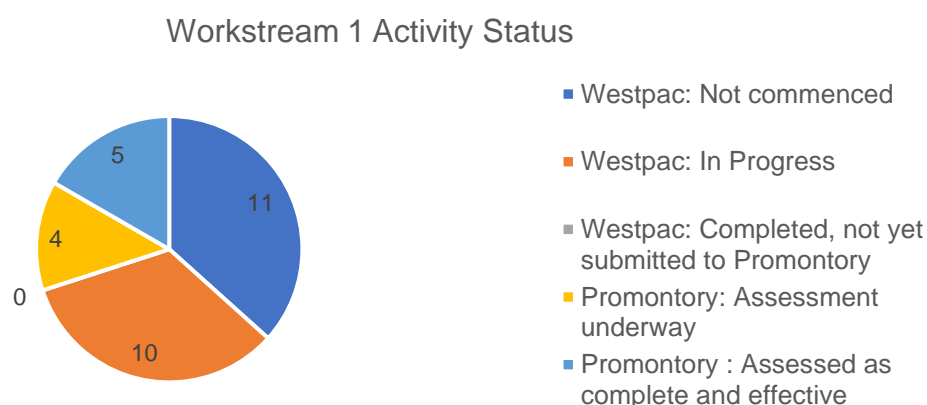
Table 6.1: WS1 Deliverables Progress

#	Deliverable	C&E[10]	Total
1.1	Board direction on strategy and enterprise investment prioritisation	0	3
1.2	Board risk reporting	1	3
1.3	Board direction on Risk Appetite	1	3
1.4	Board direction on risk culture	1	4
1.5	Board direction on risk training	0	3
1.6	Board direction on consequences	0	5
1.7	Oversight of Advisory Panel Observations	1	3
1.8	Review of BRiskC and BLRCC implementation	0	3

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[10] Activity is assessed as complete and effective by Promontory

1.9	Review capacity and capability in the 3LOD	1	3
	Total	**5**	**30**

6.1.1. Assessment of Deliverable 1.2

Deliverable 1.2 requires improvement of risk reporting. This includes that templates, guidance and risk report writing, where relevant, provided to the BRiskC and BLRCC should be clear, timely and with a meaningful synthesis of insights, thereby enabling the Directors to understand risk management framework effectiveness and root causes for issues.

Activity 1.2.1

Design Activity 1.2.1 requires the BRiskC and BLRCC to review improvements to risk reporting, including planned enhancements identified through Activity 6.8.1 (the review of recently completed and current risk report writing improvement activities).

The primary mechanism for the review of improvements was through the 2020 Board Effectiveness Review (**BER**), undertaken and completed by an external consultant during September and October 2020. Key themes from the 2020 review included that Board papers were more direct and more clearly called out issues, that the organisational bias towards reporting 'good news' had noticeably reduced and that senior executives were taking more accountability for their papers.

Several areas of continued focus were also identified, including:

- ensuring an appropriate balance between making sure that Directors were informed and the amount of information in papers;
- providing guidance on what does and does not need to be included in papers and on agendas to ensure appropriate prioritisation at meetings;
- the volume of matters reported to the Board and Board Committees; and
- the timeliness of reporting.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the scope of the BER. We were particularly interested in the extent to which international developments and benchmarking of better practice in relation to Board level risk reporting was considered in the BER, and how actions arising from the BER were being monitored.

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 and identify improvements to Board risk reporting.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 1.2, we will consider how the follow up actions of the most recent BER, as they relate to risk reporting, are tracked and closed.

7. Culture and Capability Theme Deliverables

7.1. Workstream 3 – Risk Culture (WS3)

WS3 relates to Risk Culture. The objective of WS3 as set out in the Integrated Plan is:

- *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 23 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Green.

Promontory notes that APRA has recently announced that it will undertake an industry-wide Risk Culture Survey, which will include Westpac, with findings to be released in Q2 2022. The survey is intended to establish a benchmark and peer comparisons across a cohort of 60 banking, superannuation and insurance entities. We will consider any outcomes of this work in our future assessments of the Activities in this Workstream.

Workstream 3 Activity Status

- Westpac: Not commenced
- Westpac: In Progress
- Westpac: Completed, not yet submitted to Promontory
- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
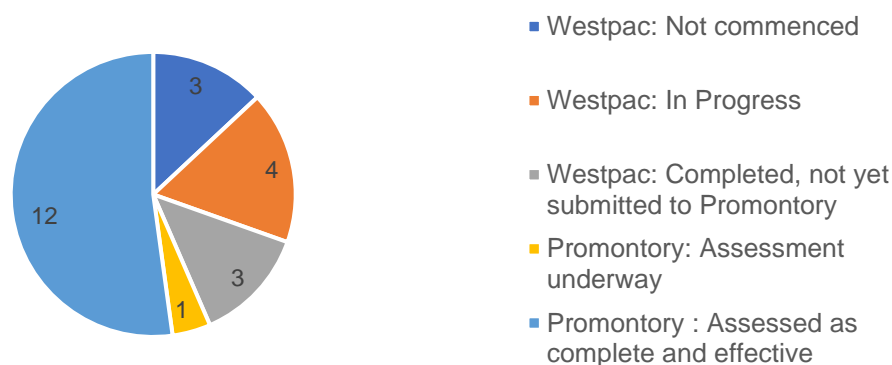
Table 7.1: WS3 Deliverables Progress

#	Deliverable	C&E[11]	Total
3.1	Risk Culture Framework	3	5
3.2	Risk Culture Dashboard	1	4
3.3	Risk Culture Maturity Self-Assessment	5	8
3.4	Risk Culture Insights Program	3	6
	Total	12	23

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[11] Activity is assessed as complete and effective by Promontory

7.1.1. Assessment of Deliverable 3.3

Deliverable 3.3 requires Westpac to establish an annual Risk Culture Maturity Self-Assessment process. The self-assessment is to be completed by Divisions, in order to determine year-on-year improvement in Divisions' risk culture maturity (relative to Westpac's target of 'Proactive'), identify gaps and take actions in the Divisions to collectively move the Group towards Westpac's established target risk culture.

Activity 3.3.1

Design Activity 3.3.1 requires Westpac to define a methodology to conduct the Risk Culture Maturity Self-Assessments (**RCMSAs**), and to develop a tool and supporting guidance material.

Westpac has defined an approach to conducting RCMSAs. The objective is to define expected risk management practices and characteristics of Westpac's risk culture target state, aligned with Westpac's risk culture model – 'Foundations of Strong Risk Culture'. It also provides Divisions with a baseline assessment of their risk culture maturity relative to Westpac's target risk culture.

External consultants supported Westpac in the delivery of this Activity, including through the provision of independent research and industry insights in relation to risk culture frameworks and assessment methodologies. Westpac also undertook internal consultation on the RCMSAs across a range of stakeholders including Operational Risk, Human Capital Analytics, HR and Risk business areas.

The methodology consists of metrics and indicators aligned with existing policies and frameworks, and a series of assessment questions. The development of the methodology included a pilot process, with learnings from a post-implementation review incorporated into the final design. This included the adoption of an online tool to enable a digital approach to conducting the RCMSAs.

After reviewing the Closure Pack for this Activity, Promontory requested further information on stakeholder engagement and feedback, and the tool selection process.

Based on our assessment of the Activity Closure Pack, the additional documentation we received, and the interviews conducted, we concluded that Westpac had designed a RCMSA methodology that was aligned with Westpac's 'Foundations of Strong Risk Culture', and supported by an appropriate tool and guidance material.

Promontory noted that, as part of our assessment of subsequent Implement and Embed Activities, we will consider enhancements to the RCMSA process, including in relation to metrics and thresholds, artefacts, and guidance material, as well as Westpac's approach to further automating the process and controls associated with the RCMSAs to mitigate data integrity risks.

7.1.2. Assessment of Deliverable 3.4

Deliverable 3.4 requires Westpac to have a Risk Culture Insights Program that includes independent Deep Dives across the Group and Divisions to identify key cultural strengths and areas for improvement.

Activity 3.4.1

Design Activity 3.4.1 requires the definition of a methodology to conduct a Risk Culture Insights Program (**RCIP**), including objectives, participants and key processes.

Westpac has defined an approach to conducting the RCIP. The RCIP is a Line 2 initiative designed to gather insights in relation to Westpac's risk culture strengths and areas for improvement and to identify actions to address these areas. The RCIP is aligned with Westpac's 'Foundations of Strong Risk Culture' and Risk Culture Framework. The RCIP is comprised of a survey, focus groups, and senior leadership interviews.

External consultants supported Westpac in the delivery of this Activity. To support the RCIP, a target operating model was defined, including stakeholder roles and responsibilities, governance and quality requirements, technical support and process steps associated with the execution of the RCIP. The development of the methodology included a pilot process with one Division, with learnings from a post-implementation review.

After reviewing the Closure Pack for this Activity, Promontory requested further information on stakeholder engagement and feedback, resourcing requirements and the alignment of the Activities with other Activities and Deliverables in WS3.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews conducted, we concluded that Westpac had taken appropriate steps to design a RCIP methodology.

Promontory noted that, as part of our assessment of subsequent Implement and Embed Activities, we will consider:

- the use of RCIP artefacts and guidance material to ensure a consistent approach;
- the mechanisms used to ensure the RCIP methodology and approach remain fit-for-purpose and sustainable; and
- practical examples of the effectiveness of the methods adopted to identify risk culture insights.

Activity 3.4.2

Implement Activity 3.4.2 requires the establishment of a joint working group between Risk and HR to share risk culture insights and identify additional cultural improvement initiatives.

The inaugural working group meeting, involving Risk and HR representatives from WS2 and WS3, was held in February 2021. The following topics were presented and discussed at this meeting:

- risk culture insights derived from the RCMSA and RCIP initiatives, including actions to address identified opportunities for improvement; and
- overview of the HR 'Culture Activities Roadmap'.

Quarterly joint working group meetings were scheduled through to December 2022. An annual review requirement to assess the ongoing effectiveness and relevance of the joint working group was also implemented.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the roles and membership of the joint working group and the progress in addressing actions arising from the inaugural joint working group meeting.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews conducted, we concluded that Westpac had established a joint working group between Risk and HR to share risk culture insights and identify cultural improvement initiatives.

Promontory noted that, as part of our assessment of Implement Activity 3.4.5, we will consider the approach to, and outcomes of, the review of the effectiveness of the joint working group upon the completion of the annual cycle, and progress made in completing actions identified through the joint working group.

Activity 3.4.3

Implement Activity 3.4.3 requires Line 2 to undertake data collection activities (including a survey, desktop review and senior leader interviews) as part of the RCIP to identify risk culture insights for each Division.

Line 2 executed the first full cycle of the RCIP data collection activities across all Divisions between June 2020 and December 2020. This included conducting a risk culture survey, desktop reviews and interviews with Divisional leaders. An external consultant was retained to provide analysis and insights with respect to the survey data collected. A Risk Culture Insights Report was provided to each Divisional Leadership Team. These reports drew together the outcomes of the data collection and analysis conducted and provided tailored insights and recommendations for improving risk culture within each Division.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the approach and application of the RCIP methodology, feedback received, and progress made by Divisions in actioning recommendations arising from the RCIP process.

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

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steps to implement the RCIP through conducting data collection activities, identifying insights and recommendations, and commencing the implementation of relevant actions at the Divisional level.

Promontory noted that, as part of our assessment of Implement Activities 3.4.4 and 3.4.5, we will consider the updates made to the guidance material, the results of the planned reviews of the process, Divisional action plans and the application of identified improvements, and the effectiveness of the approach to 'triangulate' the various inputs within scope of the RCIP, including how input variables are considered.

7.2.   Workstream 4 – Organisational Design (WS4)

WS4 relates to Organisational Design. The objective of WS4 as set out in the Integrated Plan is:

- *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 structures.*

- *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 20 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Green.
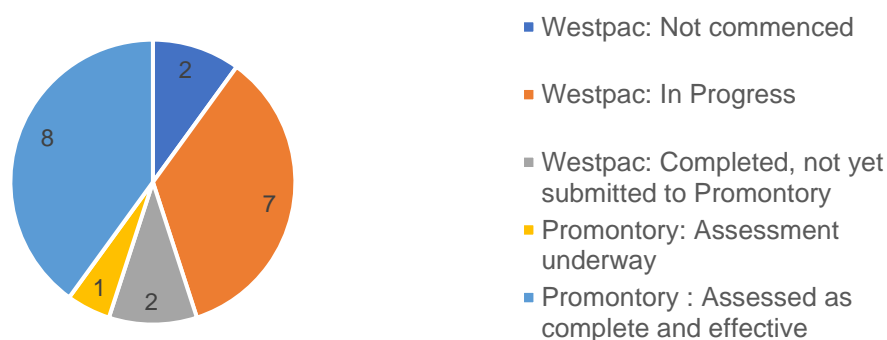
Workstream 4 Activity Status

- Westpac: Not commenced
- Westpac: In Progress
- Westpac: Completed, not yet submitted to Promontory
- Promontory: Assessment underway
- Promontory : Assessed as complete and effective

Table 7.2: WS4 Deliverables Progress

#	Deliverable	C&E[12]	Total
4.1	Organisation Design Principles	1	5
4.2	3LOD model in the 1LOD	4	6
4.3	Roles, responsibilities, and delegations	2	6
4.4	Making decisions and engaging across roles	1	3
	Total	**8**	**20**

7.2.1. Assessment of Deliverable 4.1

Deliverable 4.1 requires that the LOB model and supporting organisational design principles are adhered to across the Group organisational structure to support clear accountabilities and effective engagement.

Activity 4.1.1

Design Activity 4.1.1 requires the establishment of organisational and LOB model design principles to provide guardrails for organisational change to ensure consistent adherence to the principles.

Westpac has established the design principles through the articulation of the group Operating Model Framework document. The framework leverages the existing LOB design principles and the 3LOD principles to provide a 'macro' level framework.

The framework establishes principles around simplification and maintaining clear accountability. Guardrails are documented to provide clarity around the interpretation of the design principles, while allowing freedom for the Divisions within the established principles.

Oversight of the framework is provided by the Operating Model Steward Team. The team has been established as a 'centre of excellence' to support executive management understand the impact of any planned organisational change. The team also has the mandate to complete hindsight reviews of organisational change to test whether the change has remained within the guardrails and whether it has achieved the intended impact on accountability.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the proposed governance structures supporting the oversight of the framework, the review and approval process supporting the framework itself, and the role of the Operating Model Steward Team.

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

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[12] Activity is assessed as complete and effective by Promontory

define the organisational and LOB operating model framework, supported by governance mechanisms to oversee its application.

7.2.2. Assessment of Deliverable 4.4

Deliverable 4.4 requires Westpac to have tools and guidance to support Divisions to improve decision-making, and for Divisions to promote good decision-making practice.

Activity 4.4.1

Design Activity 4.4.1 requires Westpac to build a policy register for policy owners and Divisions and to review policies to clarify and confirm accountable owners who have authority over the policies. Furthermore, it requires analysis of SoAs to ensure authority aligns with accountabilities, and that tools and guides have been designed to address any misalignment of authority and accountability.

Westpac developed a policy register by engaging stakeholders across the Group to ensure that all policies and policy owners were identified. After this process was first tested and completed within one Division, remaining Divisions were tasked to review and validate policies and policy ownership. Divisional policy registers were then consolidated into a single Group Register.

Westpac completed a review to identify existing tools and guides used to assist employees to check whether they had the authority required for their roles. Following the review, a gap analysis was completed, and additional tools developed to address identified gaps.

SoAs were reviewed against the Register of Delegated Authority Instruments, and relevant staff members were notified of any instances of misalignment of authority. Delegations were reviewed against other equivalent roles to ensure that there was consistency in the way authority was distributed across role types. The policy register was used to ensure that individuals were correctly identified as owners, with action plans to address any exceptions identified.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information on the sampling approach used in the SoA review, provision of evidence of the policy review, and analysis of existing tools and guides.

Based on our assessment of the Activity Closure Pack, additional documentation we received and the interviews conducted, we concluded that a policy register had been built to ensure clarity of accountability, that tools and guidance were in place to assist decision-making, and that SoAs had been reviewed to ensure alignment of authority with accountability.

Promontory noted that, as part of our assessment of subsequent Implement Activities, we will consider any further refinement and updating of tools and guides, the development and implementation of governance processes for the Group and Divisional policy registers, and

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evidence of Divisions resolving remediation requirements stemming from the policy register evidence review.

7.3. Workstream 5 – Remuneration & Consequence Management (WS5)

WS5 relates to Remuneration and Consequence Management. The objective of WS5 as set out in the Integrated Plan is:

- *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.

Workstream 5 Activity Status

- Westpac: Not commenced
- Westpac: In Progress
- Westpac: Completed, not yet submitted to Promontory
- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
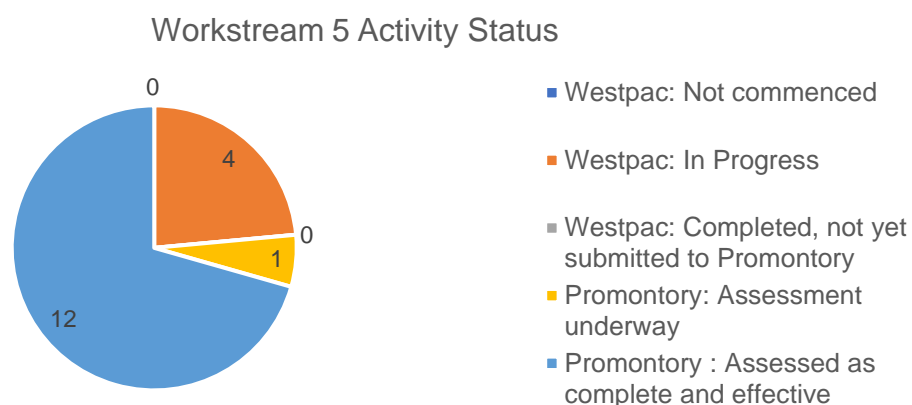
Table 7.3: WS5 Deliverables Progress

#	Deliverable	C&E[13]	Total
5.1	Risk adjustment process	4	6
5.2	Risk Gate and Risk Adjustment Criteria	6	7
5.3	Remuneration Framework and Policy	3	4
	Total	13	17

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[13] Activity is assessed as complete and effective by Promontory

7.3.1. Assessment of Deliverable 5.1

Deliverable 5.1 requires Westpac to have a risk adjustment process for employee Discretionary Short-Term Variable Remuneration (**STVR**) as part of the regular remuneration cycle to help reinforce good risk management practices and behaviours.

Activity 5.1.1

Design Activity 5.1.1 requires Westpac to establish the approach to variable compensation for the executive level.

Westpac developed a 'look back' process prior to unvested equity vesting from prior year(s) variable pay awards. The process is run on a quarterly basis to determine whether vesting should be delayed in certain circumstances. These circumstances include considering whether there has been a Relevant Matter (classified as a significant or material risk or compliance issue), conduct issue, or any other breach or emerging issue associated with employees eligible for equity vesting. Decisions that can result from the process include a delay to vesting where there is a requirement for further investigations of the circumstances.

Westpac has modified the CEO performance review process to include further information to relevant decision makers, to better inform remuneration decisions, and the establishment of a half-year progress check-in through a presentation for the BRC.

Westpac has also implemented processes to ensure communication of information relevant to the Board's oversight and determination of executive variable pay outcomes between Board Committees, including:

- all Board Committee meeting agendas have incorporated a standing agenda item for matters to be referred to another Board Committee; and
- a standing agenda item was added into the September BRC meeting for risk matters.

The BRC has established and formalised an additional meeting in October to review the application of discretionary adjustments to executive variable pay outcomes.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information on the 'look back' process, observation of the half-year CEO scorecard check-in, and evidence of the process of referring matters between Board Committees.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews conducted, we concluded that, a 'look back' process had been designed, the process for CEO performance review had been improved, mechanisms for communication of referrals between committees had been set up, and an additional remuneration workshop had been formalised into a meeting of the BRC.

Promontory noted that, as part of our assessment of subsequent Implement Activities, we will consider evidence of Committee papers which reference vesting delay consideration for FY21, and evidence of Board agendas featuring the standing item of "matters referred".

Activity 5.1.2

Design Activity 5.1.2 requires Westpac to update the STVR process for changes to the risk adjustment process.

Westpac has defined the risk adjustment updates to the STVR remuneration process through the introduction of guidelines.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the revised STVR guidelines, how they would incentivise the desired risk behaviours and how this would be reported internally to key stakeholders.

Based on our assessment of the Activity Closure Pack, the additional documentation we received, and the interviews conducted, we concluded that Westpac had taken appropriate steps to define the risk adjustment updates to the STVR remuneration process.

Activity 5.1.4

Implement Activity 5.1.4 requires Westpac to conduct a Post-Implementation Review (**PIR**) to assess the impact of the risk adjustment process and refine the 'Group Remuneration Adjustment Guidelines' to reflect learnings for future remuneration adjustment.

Westpac completed a PIR on the FY20 remuneration review process in order to better understand the stakeholder experience of the review process, including communications, support materials and systems. Information was gathered through surveys, workshops, meetings, and email. Key findings were summarised into the categories of:

- Process;
- Data & Systems; and
- Guidelines.

Some changes were made to reflect learnings from the PIR. These changes were made to relevant guidelines and additional support, to ensure consistent application of the criteria used to identify Relevant Matters that can lead to a remuneration adjustment.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information on the design of the information gathering channels for the PIR, responses to the findings in relation to data, and further explanation of the PIR process in relation to executive remuneration.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews conducted, we concluded that a PIR process had been completed to assess the impact of risk adjustment on the remuneration process, and that learnings from the PIR had been appropriately considered.

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Promontory noted that, as part of our assessment of subsequent Implement and Embed Activities, we will consider outcomes of the review of the JUNO[14] control for oversight and monitoring of the PIR, improvements to data management, including identification and possible pathways towards a system solution, and clarity of process in relation to data sharing between Group Accountability and Group Reward.

7.3.2. Assessment of Deliverable 5.2

Deliverable 5.2 requires Westpac to integrate risk gates and risk adjustment criteria in the regular remuneration cycle, including reflection of issue resolution and closure.

Activity 5.2.1

Design Activity 5.2.1 requires Westpac to define the approach to, and accountabilities for, monitoring the outcomes of the risk gate and risk adjustment criteria, in order to assess alignment with target risk culture behaviours and practice.

Westpac has updated the terms of reference of the governance forums and committees responsible for remuneration oversight and reporting to include criteria for monitoring the impacts of the risk gates and risk adjustments.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information on the inclusion of risk and compliance gate openers, the classification of risk matters and reporting to the various governance forums.

Based on our assessment of the Activity Closure Pack, the additional documentation we received, and the interviews conducted, we concluded that Westpac had taken steps to define an appropriate approach to, and accountabilities for, monitoring the impact of the risk gate and risk adjustment criteria and that the terms of reference of the various governance forums had been appropriately updated.

Promontory noted that, as part of our assessment of subsequent Implement and Embed Activities within this Workstream, we will consider evidence to assess whether substantial differences in outcomes are a result of differences in the nature of roles or differences in approach.

Activity 5.2.5

Implement Activity 5.2.5 requires Westpac to monitor and document the outcomes of the risk gate and risk adjustment criteria to confirm alignment with target risk culture behaviours and practices. This also includes timely and effective issue closure.

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[14] JUNO is Westpac's integrated risk and compliance management system.

Westpac conducted a review to ensure that the activities of 5.2.1, in relation to monitoring risk gates and risk adjustment criteria within the remuneration cycle, were completed and continue to be in place. The review included examination of the application of gates, use of the new classification framework, whether aggregate reporting on remuneration adjustments was completed and adequate, application of the scorecard modifier, and whether the remuneration adjustment guidelines were applied and governance processes were followed.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information on aspects of program interdependencies, further details on the review process, and further information on the design and methodology of the Voice+ survey.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews conducted, we concluded that the impact of risk gates and risk adjustment criteria had been assessed as confirming alignment with target risk culture behaviours and practices, and that the assessment included specific focus on timeliness and effectiveness of issue closure.

Promontory noted that, as part of our assessment of subsequent Implement and Embed Activities, we will consider ongoing interpretation of Voice+ data, and outcomes and actions from the CPS511 review of controls in relation to ongoing sustainability.

Activity 5.2.6

Implement Activity 5.2.6 requires review of how the aggregated risk gates and criteria data (i.e. size of and reasons for remuneration adjustments by Divisions) are used by relevant committees and functional areas, as well as identification of any further system enhancements in relation to reporting risk adjustment matters.

Westpac completed a review to assess use of aggregated risk gates and criteria in FY20. This included a review of reporting from the Divisional Remuneration Oversight Committee, Functional Remuneration Oversight Committee and the Remuneration Oversight Committee. Group, Divisional/Functional Risk Gates were reviewed with several enhancement opportunities identified, including incorporation of risk gates into risk adjustment frameworks and processes to support simplicity and reduce overlap, and embedding risk goals into the Motivate system. A PIR of the remuneration review and adjustment process was completed to assess whether the data and reporting provided to committees was adequate which identified further opportunities for improvement.

After reviewing the Closure Pack for this Activity, Promontory requested further information, including clarification of the status of the aggregated risk gates review, systems uplift, and identification of improvement opportunities.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews conducted, we concluded that the usage of aggregated risk gates and criteria have been appropriately reviewed, and a system enhancement has been identified in relation to tracking of Relevant Matters.

Promontory notes that as part of our assessment of subsequent Embed Activity 5.2.7, we will consider evidence of flexibility of the Remuneration Review system.

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8. Transformation Capability & Delivery Theme Deliverables

8.1. 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:

- *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 31 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Amber. The primary reason for this rating, as cited in SteerCo reporting, was resourcing gaps which impacted confidence during the Reporting Period.

Workstream 7 Activity Status

- ■ Westpac: Not commenced
- ■ Westpac: In Progress
- ■ Westpac: Completed, not yet submitted to Promontory
- ■ Promontory: Assessment underway
- ■ Promontory : Assessed as complete and effective
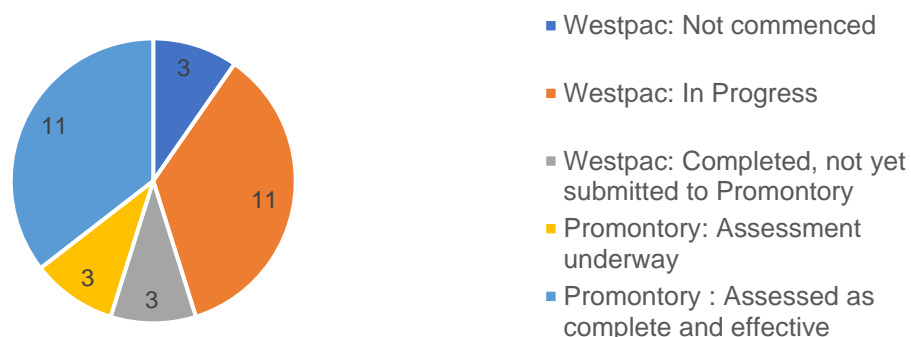
Table 8.1: WS7 Deliverables Progress

#	Deliverable	C&E[15]	Total
7.1	Enterprise investment prioritisation reporting and submissions	1	4
7.2	Enterprise change oversight (incl. committees and Line 2 role)	0	3
7.3	Transformation governance and delivery standards	0	3
7.4	Transformation capability	0	3
7.5	Risk in Change accountabilities and training	2	5

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[15] Activity is assessed as complete and effective by Promontory

7.6	Risk in Change practices	4	6
7.7	Risk in Change reporting	4	7
	Total	11	31

8.1.1. Assessment of Deliverable 7.7

Deliverable 7.7 requires the accessibility of change and risk management information to be improved. This includes implementing the delivery confidence assessment process and improving governance reporting to strengthen management and delivery accountability and effectiveness.

Activity 7.7.4

Implement Activity 7.7.4 requires Westpac to implement the program and project Confidence Assessment as part of change reporting within the 'Quarterly Portfolio Review' (**QPR**).

The Confidence Assessment is a tool to support programs in measuring whether they are on track for success, flag issues early and take action where there are issues. It is available, as a lead indicator, for use in a range of management reports including the QBR, Portfolio Reports and other governance reporting.

The QPR process did not progress past its pilot stage as a recommendation was made under the guidance of the new Accountable GE and new Accountable GM to integrate all investment planning and QBRs into a single operating rhythm, including Confidence Assessments.

In October 2020, there was an introductory session to provide an overview of the Confidence Assessment implementation via the Risk Advisory Working Group. The proposed use of the Confidence Assessment was also communicated to project practitioners through an internal 'Project Delivery Release' on 28 October 2020. The release included an overview of the process, guidance, and system functionality used to record ratings and related commentary.

As part of the implementation, several incremental enhancements were made, such as increased automation of the quarterly Confidence Assessment reports and changes to system functionality, including being able to capture a "Not Applicable" value for risk factors that do not apply to a program or project. The Confidence Assessment was fully implemented by end Q2FY21 across all Divisions.

A PIR is being completed as part of the next Activity to validate the design and operating effectiveness of the Confidence Assessment implementation.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the transition of the Confidence Assessment to the QBR.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that the transition of the Confidence

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Assessment to the QBR appeared to be reasonable and that a Confidence Assessment was appropriately implemented.

9. Risk & Compliance Management Theme Deliverables

9.1. Workstream 8 – Risk Management Framework (WS8)

WS8 relates to the Risk Management Framework. The objective of WS8 as set out in the Integrated Plan is:

- *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 32 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Amber. The primary reason for this rating, as cited in SteerCo reporting, was resourcing constraints during the Reporting Period.

Workstream 8 Activity Status

- Westpac: Not commenced
- Westpac: In Progress
- Westpac: Completed, not yet submitted to Promontory
- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
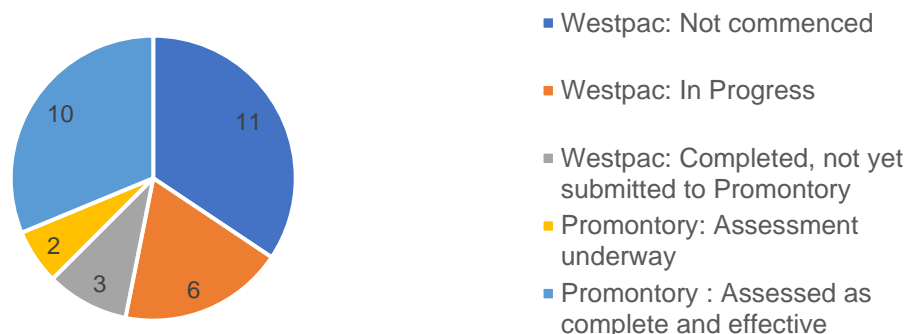
Table 9.1: WS8 Deliverables Progress

#	Deliverable	C&E[16]	Total
8.1	Risk Management Frameworks and 3LOD	3	7
8.2	Group and Divisional RAS	3	5
8.3	Risk Policy management	2	5
8.4	Reputation Risk and Sustainability Risk	0	3
8.5	Emerging Risks	0	3
8.6	Risk Committees	0	3
8.7	ERM Dashboard	2	3

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[16] Activity is assessed as complete and effective by Promontory

8.8	Prudential Governance Framework	0	3
	Total	10	32

9.1.1. Assessment of Deliverable 8.1

Deliverable 8.1 requires Westpac's Risk Management Frameworks to be aligned with the Target State 3LOD model, the new Risk Taxonomy, and other relevant CORE Workstreams to support effective risk management.

Activity 8.1.5

Implement Activity 8.1.5 requires Westpac to transfer the governance of Divisional RiskCos to the Divisions themselves under the target-state 3LOD, with Line 2 Risk to provide training and support to Divisions to facilitate the transition.

To support the Activity and provide a framework for the Divisional implementation, Westpac developed a 'Divisional Risk Committee Standard' that provides the principles for the design of the Divisional RiskCos. The standard sets out the minimum requirements to support the effective ownership and management of Divisional RiskCos by Line 1. Key elements contained within the Standard include minimum inclusions for the terms of reference, membership, meeting frequency and frequency of formal committee reviews. The Standard also provides guidance on agenda items to be addressed within the committee meetings.

Divisional terms of reference for each of the Divisional RiskCos were approved by the relevant GE and reviewed for compliance with the standard through centralised governance functions. In line with the standard, formal approval was granted for FCC&C Division and HR, to apply alternate risk governance arrangements, while maintaining the overall objective of Line 1 ownership of risk governance forums.

After reviewing the Closure Pack for this Activity, Promontory requested further information, on the requirements established under the Divisional RiskCo Standard, the process supporting the exemptions granted from the need to have a Divisional RiskCo, the terms of reference of the Divisional RiskCos, and the implications of the merged Consumer and Business Divisions.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews conducted, we concluded that Westpac had taken appropriate steps for the Divisions to assume responsibility for the operation of the Divisional RiskCos, with processes in place to allow for continuous improvement and refinement of RiskCos over time.

Promontory noted that, as part of our assessment of subsequent Activities within Workstream 8, we will consider the framework regarding the establishment of sub-committees of the Divisional RiskCos as well as the effectiveness of the alternate risk governance arrangements implemented within FCC&C and HR Divisions.

9.1.2. Assessment of Deliverable 8.2

Deliverable 8.2 requires:

- the Group RAS to be aligned with the new Risk Taxonomy and the RAS Policy, approved by the Board, and cascaded to Divisions;
- the Group RAS to provide clear and consistent boundaries for risk appetite and tolerance; and
- Group and Divisional Risk Appetite Dashboards to be established to support effective risk challenge and decision-making.

Activity 8.2.3

Implement Activity 8.2.3 requires Westpac to update and align Divisional RAS documents with the Group RAS, and for the Divisional RASs to be approved by the respective Divisional GEs.

Westpac has established a RAS Policy which includes RAS development principles and outlines the principles that determine whether or not a Division must have its own RAS. Based on the principles, Westpac identified the Divisions that are required to maintain a Divisional RAS.

External consultants supported Westpac in the delivery of this Activity, including through the provision of bench-marking information on industry and global practices. Consultation took place across a range of stakeholders in both Line 1 and Line 2 to ensure that the relevant risk class risk appetite measures and thresholds were discussed.

The construct of Divisional RASs reflects and aligns to the Group RAS construct approved by the Group Board. Key updates made to the Division RASs included revising the formats and structures to better align with the Group RAS, tailoring of content to reflect the Division's material risks, alignment with the Group's Risk Taxonomy, including the addition of measures for Level 2 and Level 3 risks. The updated Divisional RASs were tabled at their respective Divisional RiskCos for approval.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the drafting of the RAS, engagement with Line 1, the approach to limiting allocations and cascading measures from the Group RAS.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews conducted, we concluded that Westpac had taken appropriate steps to update the Divisional RAS in alignment with the Group RAS, supported by appropriate governance processes.

Promontory noted that, as part of our assessment of the Activities within Deliverable 8.2, we will consider the further development of the Divisional RASs, including the approaches taken to alignment with the Group RAS, refinements to the RAS Policy, timing for further updates to the Divisional RAS, and how the Divisional RASs have been cascaded to the LOB.

9.1.3. Assessment of Deliverable 8.3

Deliverable 8.3 requires Westpac to enhance the Frameworks and Policies Management Policy (**FPMP**) to reduce policy proliferation and complexity, and to clarify policy ownership. Further, the deliverable involves simplifying the risk policy landscape through building a policy register with centralised governance in the JUNO system.

Activity 8.3.2

Implement Activity 8.3.2 requires Westpac to create a risk policy register in JUNO.

Westpac implemented a policy management mechanism in JUNO - the Policy and Compliance Management module (**PCM**). To determine business requirements for the design of the PCM, Westpac sought input from key stakeholders, determined to be the key future users of this module. This input was gained through a series of workshops that included the participation of the vendor's Solution Designer. Following a Post Implementation Verification (**PIV**) and User Acceptance Testing (**UAT**), the policy register went live.

After reviewing the Closure Pack for this Activity, Promontory requested further information on aspects of the Activity including details of user support documentation, user training and further details on the capture of data.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews conducted, we concluded that a policy management mechanism that supports the requirements of the FPMP had been implemented.

Promontory noted that, as part of our assessment of subsequent Implement Activities, we will consider:

- accountabilities of the relevant policy management team;
- evidence of the team's comparison of policies identified under Deliverable 4.4 with the risk documents identified against the FPMP requirements; and
- the management of proposed future changes to JUNO.

9.1.4. Assessment of Deliverable 8.7

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

Activity 8.7.1

Design Activity 8.7.1 requires the design of the ERM Dashboard for Group and Divisional reporting of risk governance and management maturity. It also requires approval of the Dashboard by the BRiskC.

Enterprise Risk, in designing the ERM Dashboard, sought input from various parties such as the Divisional Heads of Business Controls and Monitoring (**BCM Heads**), the Line 2 Risk Teams and various working groups. Additionally, Enterprise Risk reviewed industry good practice. Progress updates were provided to the Risk Leadership Team and finalisation and endorsement of the ERM Dashboard design was carried out by the Westpac Group Executive Risk Committee, the Westpac BRC and the Westpac ET.

After reviewing the Closure Pack for this Activity, Promontory requested further information on governance and the process of designing the ERM Dashboard.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews conducted, we concluded that the ERM Dashboard had been appropriately designed for Group and Divisional reporting and was approved by the BRiskC.

Promontory noted that, as part of our assessment of subsequent Implement and Embed Activities, we will consider the process of how changes made to the RMF, as part of the Post Implementation Review, are incorporated and reflected in the RMF Maturity Assessments and ERM Dashboard. We will also consider how the outcomes and feedback of the desktop pilot have been considered and any changes made to the ERM Dashboard as a result.

Activity 8.7.2

Design Activity 8.7.2 requires Westpac to publish the ERM Dashboard procedure document and circulate final assessment metrics and thresholds. It also requires Westpac to conduct training and publish the Group ERM Dashboard for the Q2FY21 Assessment.

Line 1 completed the Q2FY21 assessment. Line 2 reviewed and challenged the outcomes and provided additional confidence as to the accuracy of the ratings as a reflection of Divisions' risk management practices. The Divisional 'RMF Maturity Assessment Dashboards' were endorsed by the Divisional CRO, approved by the Divisional GE and then tabled at the Divisional Risk Committee.

The Divisional RMF Maturity Assessments were aggregated by Enterprise Risk into the ERM Dashboard. Several themes emerged from the Q2FY21 assessment which provided Divisions with insights to prioritise actions that will help mature their risk management practices.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the PIR for the Q2FY21 Assessment, the process for finalisation of results, and any action plans developed.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that each Division appropriately completed Q2FY21 assessments and produced a dashboard, the Enterprise dashboard was completed, and the associated procedure was published on the Risk Document Library.

Promontory noted that, as part of our assessment of the subsequent Embed Activity, we will consider feedback and observations in relation to possible re-baselined scores, and whether any Group-wide or thematic actions have been developed following completion of two full assessment cycles.

9.2.   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:

- *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 six Deliverables consisting of 31 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Amber. The primary reasons for this rating, as cited in SteerCo reporting, were concerns about:

- scheduling;
- confidence in being able to execute the required work related to delays in the delivery of dashboards in the Strategic Insights Platform (SIP);
- the quality of control self-assessment testing; and
- the execution of interdependent activities during the Reporting Period.
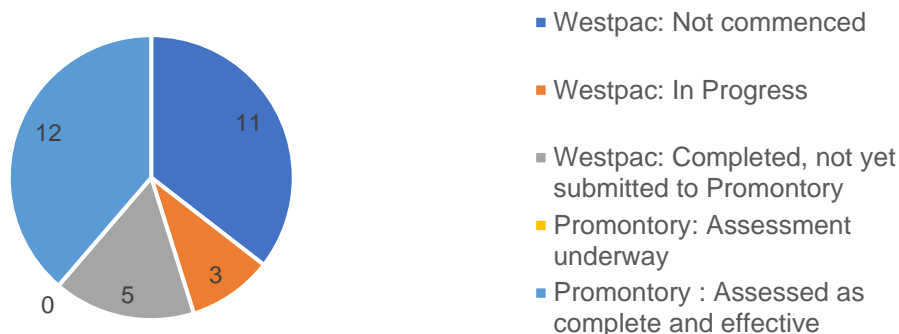
Workstream 10 Activity Status

- Westpac: Not commenced
- Westpac: In Progress
- Westpac: Completed, not yet submitted to Promontory
- Promontory: Assessment underway
- Promontory : Assessed as complete and effective

Table 9.2: WS10 Deliverables Progress

#	Deliverable	C&E[17]	Total
10.1	Risk assessment and Value Chains	0	4
10.2	Group Controls Library	2	5
10.3	Controls self-assessment	1	3
10.4	Issues management	6	10
10.5	Incident management	0	3
10.6	Root cause analysis	3	6
	Total	12	31

9.2.1. Assessment of Deliverable 10.2

Deliverable 10.2 requires Westpac to implement a Group Controls Library that supports controls standardisation and governance across the creation of controls.

Activity 10.2.2

Implement Activity 10.2.2 requires the launch of Westpac's Group Controls Library (**GCL**) in JUNO and the delivery of a 'Risk Playbook' outlining the use of GCL, Risk Library and Obligations Library to support risk, compliance and control assessment processes.

Westpac developed an online 'Risk Playbook' to provide guidance and supporting tools to Line 1 and Line 2 risk practitioners in relation to performing risk and control assessments in line with policy requirements. The Risk Playbook platform provides information on risk and control assessment processes, including examples, templates and checklists, links to JUNO, Risk Assist (Westpac's AI chatbot), the Group Controls Library and Group Risk Library, relevant policies and additional guidance materials.

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[17] Activity is assessed as complete and effective by Promontory

External consultants supported Westpac in the delivery of this Activity, including through engaging a range of stakeholders across Line 1 and Line 2 to obtain input on the content and tools required to be captured in the Risk Playbook and leveraging previous external review findings and recommendations. The launch of the 'Risk Playbook' was supported by communications, presentations and stakeholder meetings to capture feedback.

Westpac formally launched the GCL in JUNO. The launch was supported by communications, presentations, and guidance and support materials. These included information on how to create new controls, change existing controls, and guidance on 'what good looks like' in relation to aspects of controls management. Westpac confirmed that 100% of its controls were transitioned to the new GCL in the JUNO production environment.

After reviewing the Closure Pack for this Activity, Promontory requested further information on impacts to reporting, roles and responsibilities, and effectiveness measures.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews conducted, we concluded that Westpac had launched the GCL and developed, implemented and communicated an online 'Risk Playbook' tool to support risk, compliance and control assessments.

Promontory noted that, as part of our assessment of subsequent Activities in Deliverables 10.1, 10.3 and 12.1, we will consider further 'Risk Playbook' content developed to provide guidance on the completion of integrated risk and compliance assessments and the updated versions of the relevant policies supporting risk and compliance assessments, including updated roles and responsibilities across the 3LOD.

9.2.2. Assessment of Deliverable 10.4

Deliverable 10.4 requires employees across all Divisions to have a clear understanding of the issues management lifecycle.

Activity 10.4.1

Design Activity 10.4.1 requires Westpac to define the basic principles for issues management based on data analysis, pain point identification and focus groups, as well as enabling the 'Risk Assist' chatbot functionality for issues management.

In defining the basic principles for issues management Westpac conducted focus groups from multiple divisions across all LOD. The purpose of the focus groups was to uncover insights that would inform future communications and engagement strategies to enhance employee understanding of issues management. Westpac also developed Risk Assist, a knowledge management chatbot for issues management that was iteratively enabled. A change and communication strategy was developed for the iterative and continuously evolving nature of Risk Assist along with a series of other initiatives to support the issues management knowledge build.

After reviewing the Closure Pack for this Activity, Promontory requested further information about the consultation processes, clarification on 'how' and 'where' the basic principles for issues management have been defined and examples of employee interactions with Risk Assist. Promontory requested additional documents including the updated Issue & Action Management Policy and Issue & Action Management Guidance documents, as well as the latest version of Risk Fundamentals Module 3 (Issues and Incident Management).

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews conducted, we concluded that Westpac had taken appropriate steps to define the basic principles for issues management and confirmed that Risk Assist was appropriately enabled for issues management.

Promontory noted that, as part of our assessment of Design Activity 6.7.1, we will consider actions to support the 'iterative and agile' governance processes related to Risk Assist, including the approach to developing Risk Assist on an ongoing basis, whether this is supported by an updated Risk Assist Business Operating Model, and the internal QA and change management processes. As part of our assessment of Implement Activity 10.4.9, we will consider actions to identify, consider and address Issues Management pain-points. As part of our assessment of Design Activity 10.4.8, we will consider and review actions to update Risk Assist content for Issues Management post the planned revisions of policies, guidance and procedures related to Issues Management.

Activity 10.4.2

Implement Activity 10.4.2 requires Westpac to provide Divisions with access to the 'Risk Assist' virtual assistant to support issues management (including communications).

Westpac developed the 'Risk Assist Change & Communications Strategy' to support this deliverable. The strategy was designed to evolve throughout the development, implementation and updates of Risk Assist. This strategy focused on the soft launch of Risk Assist, with a dependency on ongoing communication and change activities as part of the Risk Assist implementation roadmap for FY21.

Westpac established a 'test and learn' community of approximately 230 people to support the development of issues management content. It delivered facilitated learning briefings to key stakeholders on the approach to using Risk Assist and how it will be developed going forward. Westpac also conducted demonstrations of the chatbot. Following the test and learn phase, given that the content in Risk Assist was still limited to issues management, Westpac undertook a soft-launch of Risk Assist across the organisation. Westpac's CEO and all GEs were asked to communicate the soft-launch with their Divisions via Westpac's intranet site and messaging tool to encourage all staff to interact with Risk Assist.

After reviewing the Closure Pack for this Activity, Promontory requested further information and evidence related to the CEO and GE communications strategies, including examples of Divisional communications. We were also provided with evidence and confirmation that Divisions were accessing and interacting with Risk Assist.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac had taken appropriate steps to provide Divisions with access to Risk Assist to support issues management.

Promontory noted that, as part of our assessment of Design Activity 6.7.1 and Implement Activity 6.7.2, we will consider whether communications for the Consumer and Business Banking Division have occurred, the scope and coverage of the broader Risk Assist communication strategy, and whether the finalised and endorsed Risk Assist Implementation Roadmap for FY21 includes appropriate sustainability measures.

Activity 10.4.6

Implement Activity 10.4.6 requires Westpac to engage with the Risk Management Framework Workstream (WS8) to recommend changes to the reporting templates and guidance to enable effective use of RAS metrics, consideration for the LOB and clear guidance on best practice reporting.

Westpac completed a number of actions and initiatives through their Enterprise Risk team, including the addition of issues management reporting as part of BAU. Westpac implemented ET Transformation Meetings and BAU reviews of the CRO Report via the Group Risk Committee in the 2021 calendar year. A 'high-rated issues' performance dashboard was developed for GEs to monitor and challenge the progress of closing high-rated issues. Westpac also utilised the Non-Financial Risk Dashboard to report performance of five key non-financial metrics, including risks out of appetite, Value Chains, controls, issues and incidents.

The transition to embedding a new LOB operating model across the Group and work to map Value Chains to this model continues. To assist management and the Board in monitoring the progress of Value Chain implementation, a report was developed which tracks progress of modelling Value Chain processes to Level 2 risks, the percentage of Value Chain risks and controls assessed and uploaded into JUNO, and when the SIP/LOB reporting will be complete. Westpac noted that the granularity in reporting assists key stakeholders to review and focus on any areas of concern. In February 2021 Westpac shifted the responsibility for the SIP (and the associated specialised team members) to the Operational Risk team, with the primary objective of accelerating ongoing improvement and enhancement of data reporting and insights.

After reviewing the Closure Pack for this Activity, Promontory requested further information on high-rated issue ownership and notification/follow-up mechanisms, the role of the ET in monitoring and challenging the progress and closure of high-rated issues, evidence of data validation, and the high-rated issues template.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews and feedback session conducted, we concluded that Westpac had taken appropriate steps to recommend and implement changes to the reporting templates

and guidance to enable effective use of RAS metrics, consideration for the LOB and clear guidance of best-practice reporting.

Promontory noted that, as part of our assessment of the subsequent Activities in this Workstream we will consider:

- whether reporting to executives remains fit for purpose following the update of the Issue Management Policy and Guidance;
- evidence of executive and/or Board challenge to single issues or thematic performance on high-rated Issues;
- monitoring and challenge of long-dated issues;
- changes to RAS metrics in updates to the Issue Management process; and
- the process for managing and monitoring both high and medium-rated issues.

9.2.3. Assessment of Deliverable 10.6

Deliverable 10.6 requires Westpac to have a mature process for root cause analysis, including the sharing of lessons, and to apply root cause analysis (**RCA**) to better identify incidents and more durably manage issues.

Activity 10.6.3

Design Activity 10.6.3 requires Westpac to confirm RCA Analyst roles to support each RCA Practice Leader. Responsibilities for both role types should be formally incorporated in position descriptions and role deliverables. Existing RCA training should be tailored to align with and support the RCA Practice Leader and RCA Analyst roles. A sustainable process for replacement of RCA Practice Leads and Analysts should be designed, inclusive of impacts to position descriptions, role deliverables and associated training.

Westpac has established five key responsibilities for the RCA Practice Leaders, and four key responsibilities for the RCA Analysts. To support Practice Leaders and Analysts in understanding their roles and responsibilities as well as the end-to-end RCA process and approach, Westpac developed the RCA Practice Guide to be formally provided to Practice Leaders and Analysts in their training.

The existing RCA Training, developed in 2019 by an external consulting firm and the Westpac Learning & Development Team, was reviewed and updated by Westpac. The updates were designed to ensure the training is aligned with and supports the revised RCA Practice Leader and Analyst roles, the revised RCA definitions, and the end-to-end RCA processes as outlined in the RCA Practice Guide.

After reviewing the Closure Pack for this Activity, Promontory requested further information on relevant updated policy and guidance documents, whether any industry analysis or benchmarking activities were undertaken to inform the revised roles and responsibilities, and

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confirmation that all queries noted by Westpac in the Closure Pack for Activity 10.6.1 had been considered, addressed and evidenced.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interview sessions conducted, we concluded that Westpac had taken appropriate steps to confirm RCA Practice Leader and Analyst roles and responsibilities, existing RCA training had been tailored to aligned with and support the revised roles, and a sustainable process for onboarding and replacement had been designed.

Promontory noted that, as part of our assessment of subsequent Implement Activity, we will confirm that the scheduled RCA training has taken place, the RCA Practice Guide has been made available on the Westpac Intranet, and that the definitions adopted are leading to a suitable flow of matters for RCA in order to achieve the desired target state. We will consider whether Risk Assist addresses and incorporates RCA requirements.

10. Conduct Theme Deliverables

10.1. Workstream 13 – Conduct Risk (WS13)

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

- *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 Green.
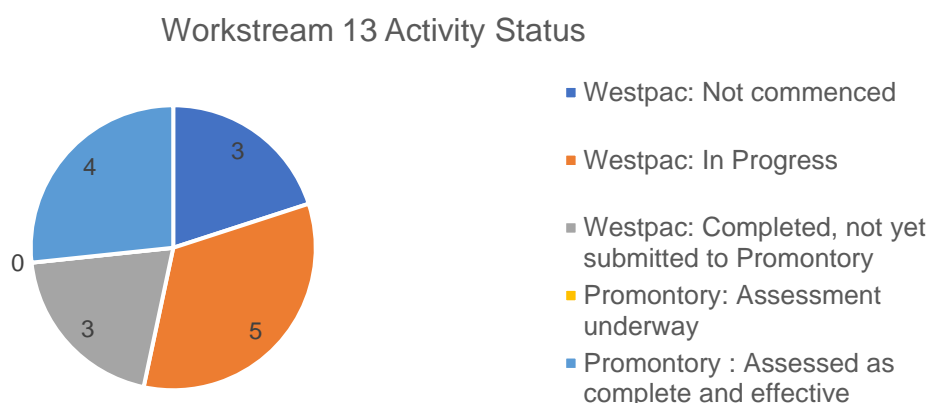
Workstream 13 Activity Status

- Westpac: Not commenced
- Westpac: In Progress
- Westpac: Completed, not yet submitted to Promontory
- Promontory: Assessment underway
- Promontory : Assessed as complete and effective

Table 10.1: WS13 Deliverables Progress

#	Deliverable	C&E[18]	Total
13.1	New Code of Conduct	3	5
13.2	Conduct Risk training and guidelines	0	4
13.3	Conduct Risk 3LOD target operating model	1	3
13.4	Conduct Risk assessment and reporting	0	3
	Total	4	15

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[18] Activity is assessed as complete and effective by Promontory

10.1.1.   Assessment of Deliverable 13.1

Deliverable 13.1 requires Westpac to establish its Code of Conduct as the key policy platform that explains Conduct Risk expectations.

Activity 13.1.2

Implement Activity 13.1.2 requires Westpac to roll out the new Code of Conduct, including a communications agenda across both launch activities and ongoing reinforcement of the new Code of Conduct.

Westpac has established a communications plan with coverage across various channels, including CEO and GE email communications, executive communications focussing on the application of the 'Should We?' test, a key component of the Code of Conduct, and mandatory e-learning for all staff. Various communications in line with the plan have been issued across the Bank, with the intent of enhancing awareness of the Code of Conduct and 'Should We?' test across all employees.

Decisions were made to undertake targeted focus group sessions across the Group to understand the use of the 'Should We?' test. In response to the insights from the focus groups, a number of 'communication interventions' have been approved to further reinforce the Code. These include greater executive level communications and sharing the application of the 'Should We?' test, scheduling a Code of Conduct and 'Should We?' awareness day, embedding the 'Should We?' test as a priority behaviour under the ethical value of the Purpose, Values and Behaviours framework within the performance management tool and ongoing measurement of communications.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the approach to the Division level communications, including the extent to which there was a common approach to be adopted across Divisions, how the success of the communications approach was being considered and whether there was an appropriate balance of communications between the Code of Conduct and the 'Should We?' test.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interview session conducted, we concluded that Westpac had taken appropriate action to communicate the roll out of the Code of Conduct, with mechanisms in place to monitor the success of the approach taken.

Promontory noted that, as part of our assessment of the Activities within Deliverable 13.1, we will consider the ongoing alignment of the Code of Conduct, the 'Should We?' test and Westpac's Purpose, Values and Behaviours.

Activity 13.1.3

Design Activity 13.1.3 requires Westpac to identify material policies to be reviewed and to undertake a desktop review of those policies against the Conduct Risk strategy to assess potential areas requiring uplift.

Westpac has identified 34 key conduct related policies from which it:

- identified five HR policies materially related to conduct risk and assessed these against Westpac's Conduct Risk strategy, and developed action plans to align the policy and associated processes with this strategy; and
- reviewed four further 'key conduct-related policies' and developed recommendations for aligning these policies with the Conduct Risk strategy.

In collaboration with external advisors, Westpac developed a 'Conduct Risk Checklist' to guide policy owner reviews of the balance of the key conduct related policies so that they are also aligned with the 'Conduct Risk Strategy' in the future.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the Conduct Risk strategy, the governance and challenge around the selection of the five HR policies for review, and the engagement with policy owners about the results of the outcome of the review of each policy.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that the key conduct related policies had been identified as part of this Design Activity, with a Conduct Risk Checklist developed to implement changes to these policies as part of the further activities in this Deliverable. We also concluded that the decision to prioritise the five HR policies was subject to an appropriate governance process.

Promontory noted that, as part of our assessment of the Implement and Embed Activities for this Deliverable, we will consider whether the 34 key conduct related policies have been reviewed and updated against the Conduct Risk Checklist and that staff have been informed about the nature of the update to the policies to align with the Code of Conduct.

11. Complaints Theme Deliverables

11.1. Workstream 14 – Customer Complaints (WS14)

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

- *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.
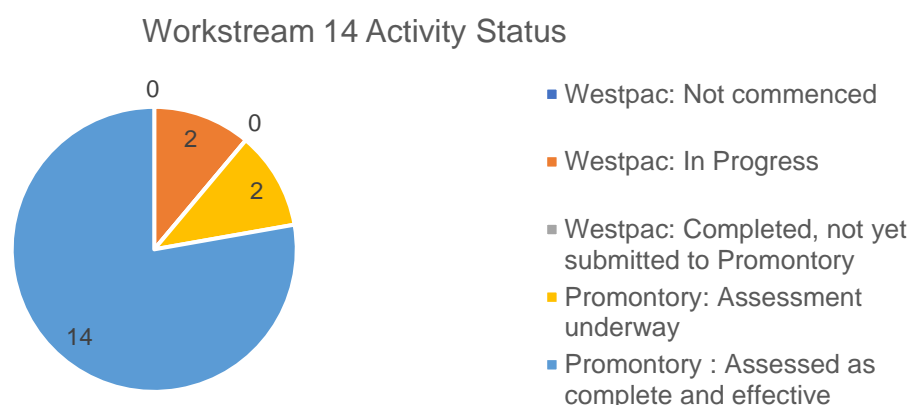
Workstream 14 Activity Status

- Westpac: Not commenced
- Westpac: In Progress
- Westpac: Completed, not yet submitted to Promontory
- Promontory: Assessment underway
- Promontory : Assessed as complete and effective

Table 11.1: WS14 Deliverables Progress

#	Deliverable	C&E[19]	Total
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)	5	6
14.4	Release 2 of Complaints Management System (Divisions within Wealth and additional features)	1	4
	Total	14	18

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[19] Activity is assessed as complete and effective by Promontory

11.1.1.   Assessment of Deliverable 14.2

Deliverable 14.2 requires customer complaints to be managed in accordance with the Customer Complaints Policy.

Activities 14.2.1 and 14.2.2

Design Activity 14.2.1 and Implement Activity 14.2.2 require Westpac to update the Group Complaints Management Policy and communicate the requirements of the updated Group Complaints Management Policy.

Changes to the Group Complaints Management Policy were drafted by the Policy Owner Delegate and reviewed by various stakeholders, including individuals from the Customer Solutions team and the Customer and Corporate Relations Line 1 BCM team. Following the review process, the changes were not considered to be material in nature and were ultimately approved by the Policy Owner (in this case, the Chief Compliance Officer). The Group Complaints Management Policy was updated in April 2020 to support the engagement of Compliance and Operational Risk functions for complaints which relate to compliance obligations or operational risk within the prescribed materiality/severity levels.

To communicate the requirements of the Group Complaints Management Policy, Westpac made the Group Complaints Management Policy available on its centralised policy portal and communicated to compliance stakeholders through the quarterly compliance bulletin.

After reviewing the Closure Packs for these Activities, Promontory requested further information about the communication activities surrounding the Group Complaints Management Policy, as well as Westpac's preparedness for the incoming RG271 obligations.

Based on our assessment of the Activity Closure Packs, and the additional information and responses we received we concluded that the requirements of the updated Group Complaints Management Policy had been communicated to the appropriate stakeholders, and that Westpac had sufficient mechanisms to communicate both existing and forward-looking updates to the Customer Complaints Policy.

11.1.2.   Assessment of Deliverable 14.3

Deliverable 14.3 requires the first release of Westpac's centralised complaints management system to be rolled out across the Bank (excluding the Wealth business).

Activities 14.3.5

Implement Activity 14.3.5 requires Westpac to manage the transition and use of Westpac's new complaints management system Release 1.

Westpac managed the implementation of the new complaints management system Release 1 in a progressive and iterative manner between September to December 2020. The transition

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was governed through the Complaints Transformation Steering Committee which meets monthly and monitors key activities including user feedback, preparation and planning for event rollouts and providing support to ensure successful achievement of scope, timelines and objectives. This was complemented by frontline working groups, change working groups and supported by Risk and Compliance teams, as well as reporting to the Board on progress.

Westpac has also monitored, sought and considered feedback and insights from Release 1 to inform its approach to Release 2.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the nature of the reporting to the Board, the statistics around the reporting of Customer Complaints, how Westpac monitors the number of complaints resolved and the quality of the resolutions, as well as items that Promontory flagged it would consider in our previous assessment in Activity 14.3.2.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews conducted, we concluded that:

- there was appropriate governance and oversight maintained over the roll-out of Westpac's new complaints management system, including Board reporting and appropriate tracking of relevant metrics;
- Westpac designed the roll-out of the new complaints management system in a manner that allowed for feedback to be obtained, reviewed and incorporated on an ongoing basis (which is important for the sustainability of the new complaints management system); and
- Westpac had mechanisms in place to provide customers with an opportunity to voice their concerns, to allow frontline staff to respond to customers' complaints in a more consistent manner, and to allow frontline staff to attempt to resolve problems to the customers' satisfaction.

Promontory noted that, as part of our assessment of the subsequent Implement and Embed Activities for this Workstream, we will consider:

- the enhanced wording of CTL000075214 (a control which mitigates the risk of inappropriate user access and unauthorised access to sensitive customer profiles) once it has been consolidated at the Divisional level;
- results from the Voice of Business Survey from users in Release 2.1;
- completion rates of the Why Complaints Matter eLearning module; and
- whether Westpac assesses escalated complaints to determine whether they should have been resolved at the frontline, or escalated, and the reasons for inappropriate escalation, should it occur.

12. Technology & Data Risk Theme Deliverables

12.1. Workstream 16 – Data Risk Governance (WS16)

WS16 relates to Data Risk Governance. The objective of WS16 as set out in the Integrated Plan is:

- *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 Green.
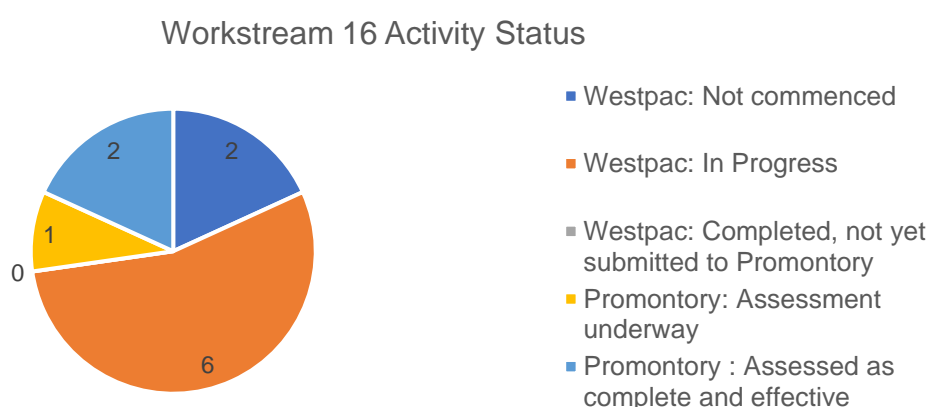
Workstream 16 Activity Status

- ■ Westpac: Not commenced
- ■ Westpac: In Progress
- ■ Westpac: Completed, not yet submitted to Promontory
- ■ Promontory: Assessment underway
- ■ Promontory : Assessed as complete and effective

Table 12.1: WS16 Deliverables Progress

#	Deliverable	C&E[20]	Total
16.1	Data oversight and reporting	2	5
16.2	Tooling and execution	0	3
16.3	Incident definition and rating	0	3
	Total	2	11

12.1.1. Assessment of Deliverable 16.1

Deliverable 16.1 requires Westpac to review and enhance the Group's data oversight and operating model, as required, with particular focus on assessment and measurement of risk against risk appetite.

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[20] Activity is assessed as complete and effective by Promontory

Activity 16.1.1

Design Activity 16.1.1 requires Westpac to review the Data Oversight committees' charters, authorities and information flows, with a view to identifying opportunities for improvement.

Westpac completed reviews of the charters for the BRiskC, Board Technology Committee, Enterprise Information Management Council, and the Enterprise Information Management Council Sub-Committee. The reviews resulted in charter amendments including adding references to oversight of risks associated with data related programs, adding reporting and information sharing requirements in relation to data, and with inclusion of identified focus areas.

After reviewing the Closure Pack for this Activity, Promontory requested further information clarifying the review process of relevant charters, authority and information flows, further details on the mechanisms for information exchange between committees, and clarification on improvements made.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews conducted, we concluded that data oversight committee charters had been reviewed and amended to enable improved oversight of data-related risk and clarity of authority and accountability, information flows had been reviewed and defined, and mechanisms were in place to identify and facilitate management of data-related risk.

Promontory noted that, as part of our assessment for subsequent Activities, we will consider the ongoing clarity of authority and accountability, and effective exchange and tracking of information to facilitate data risk oversight.

Activity 16.1.2

Design Activity 16.1.2 requires Westpac to define its data risk appetite and measure data risk against risk appetite as part of the Risk Management Framework.

Under Westpac's approved Risk Taxonomy, data risk is considered a Level 2 risk with five elements of data risk at Level 3. All measures fall within the Level 1 risk category of operational risk. Within the Group RAS, data risk is captured as one of nine measures in the Operational Risk Appetite Statement. The measure is designed to provide a combined view across data quality controls, monitoring and outcomes in reporting to the GE and the Board.

At Level 2, measures and thresholds for data risk appetite have also been established. The metrics and qualitative statements address three components across improving data control, measuring data quality and stability. These metrics are reported to the Board Technology Committee and supporting management committees. Level 3 qualitative statements have also been established.

Westpac's refinement of the data risk appetite elements was supported by external consultants who brought industry experience and perspectives of better practice. Approval of

the data risk appetite metrics was provided by the BRiskC following endorsement by the Group Risk Committee.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the data risk metric used within the Group RAS, the relationship between the data risk metric used within the Group RAS and the data risk appetite, the linkage of the data risk appetite thresholds to the qualitative statements set at the Level 3 data risk taxonomy and the approval authorities for the Level 2 and Level 3 data risk appetite elements.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the feedback session conducted, we concluded that a suitable process had been undertaken to define data risk appetite and the measurement of risk against risk appetite at the current point in time, both at the Group (Level 1) as well as Level 2 and Level 3 risk taxonomies. Further, there were established processes supporting Risk Appetite, allowing for continuous improvement and refinement of the risk appetite thresholds associated with data risk.

Promontory noted that, as part of our assessment of subsequent Activities, we will consider the evolution and alignment of the data risk appetite thresholds across Levels 1 through 3 of the risk taxonomy. For our assessments of Activities forming part of Deliverable 16.2, we will consider the changes to the Group RAS as a result of the development of the Data Management Operating System Dashboard.