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

Prepared by Promontory Australia, a business unit of IBM Consulting

Tenth Report

28 July 2023

PROMONTORY
IBM Consulting

Contents

Abbreviations & Definitions

Abbreviation	Definition
3LoD	Three Lines of Defence
Activity	Each Deliverable in the Integrated Plan is comprised of a number of Activities, classified as either a 'Design', 'Implement' or 'Embed' Activity
APRA	The Australian Prudential Regulation Authority
BAU	Business As Usual
BCM	Business Controls and Monitoring
BLRCC	Board Legal, Regulatory and Compliance Committee
BRemC	Board Remuneration Committee
BRiskC	Board Risk Committee
CBB	Consumer and Business Bank
CDE	Critical Data Elements
CEO	Chief Executive Officer
CGF	Core GM Governance Forum
Closure Criteria	The actions that should be taken to complete the Activity
Closure Pack	A package of documents collated by Westpac and submitted to Promontory, which sets out the tasks completed and materials evidencing completion of an Activity
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
CST	Customer Solutions and Technology
CTO	Chief Transformation Officer
DCRO	Divisional Chief Risk Officer
Deficiencies	Westpac's risk governance shortcomings as set out in the Deficiencies Register

Abbreviation	Definition
Deliverable	A group of Activities that is part of a Workstream.
Deliverable Target State or Target State	Describes the outcomes to be achieved by completing a Deliverable
Divisions	The business units within the Westpac Group
Eighth Report	Promontory's eighth report on the Independent Review of Westpac's Integrated Plan, dated 7 February 2023
EU	Enforceable Undertaking
FCC&C	Financial Crime, Compliance and Conduct
GE	Group Executive
GEM	Great Employee Moments
GM	General Manager
Integrated Plan or the Plan	The plan Westpac has established to address APRA's concerns and to uplift Westpac's risk governance
JUNO	Westpac's integrated risk and compliance management system
Line 1	Westpac's First Line of Defence, the front line and operational Divisions
Line 2	Westpac's Second Line of Defence, the Group Risk function
Line 3	Westpac's Third Line of Defence, the Internal Audit function
LoB	Line of Business
Ninth Report	Promontory's ninth report on the Independent Review of Westpac's Integrated Plan, dated 3 May 2023
Outcome Measures	Outcome Measures are defined at the level of the Program and are used to assess progress towards achievement of the overall objectives of the Program
PIR	Post Implementation Review
Program Deliverable Metrics	A set of Deliverable-level metrics in the Integrated Plan used to consider progress against the Target State for CORE Program Deliverables, across the period of the Integrated Plan.
Promontory	Promontory Australia, a business unit of IBM Consulting
QBR	Quarterly Business Review
RAG	Red, Amber or Green rating

Abbreviation	Definition
RAID	Risks, Assumptions, Issues and Dependencies
RAS	Risk Appetite Statement
RCMSA	Risk Culture Maturity Self-Assessment
RMF	Risk Management Framework
Reporting Date	30 June 2023
Reporting Period	This Report covers the period from 1 April 2023 to 30 June 2023
RMS	Risk Management Strategy
Seventh Report	Promontory's seventh report on the Independent Review of Westpac's Integrated Plan, dated 28 October 2022
Six-Monthly Review or 6MR	Semi-annual review of the impact, effectiveness and sustainability of the CORE Program by Westpac
Sixth Report	Promontory's sixth report on the Independent Review of Westpac's Integrated Plan, dated 28 July 2022
SBD	Specialist Business Division
SteerCo	The Westpac executive-level Steering Committee for the CORE Program
Tenth Report or Report	Promontory's tenth report on the Independent Review of Westpac's Integrated Plan, dated 28 July 2023
TOR	Terms of Reference
Transition Period	A set period following the completion of the Program to ensure effective embedment and operationalisation of the CORE uplift measures into BAU
Westpac or the Bank	Westpac Banking Corporation
WIB	Westpac Institutional Bank
Workstream	An area of work in in the CORE Program
Workstream Objective	A description of the objective Westpac is aiming to achieve through the work being done in that Workstream set out in the Integrated Plan

Executive Summary

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

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

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

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

- the status of Westpac's compliance with the remediation plan; and

- whether Promontory considers the implementation of the remediation plan to date to be effective and sustainable.

This report covers activity during the period 1 April 2023 to 30 June 2023. The status of the program is reported as at 30 June 2023.

Program Progress and Status

With the design phase already completed, Westpac's progress during this quarter saw it reach another milestone, having now fully completed work under all implement activities, subject to final assessment by Promontory. From a total of 354 activities, Promontory has now closed 286 activities as complete and effective. With only 12 implement activities left to be assessed, the bank has now turned its focus to the embedment and operationalisation of changes so that they increasingly form part of day to day processes.

The volume of work over the quarter has been significant and Promontory has observed the development of solid foundational structures and processes to better identify and manage risks. Westpac continues to work through the most complex and challenging phase of delivering the transformation program and addressing the five root causes which underpin it. As the bank progresses further into this final phase of embedment, focus is required to stay the course and mitigate delivery risks. This is particularly important given the bank's decision to maintain the scheduled December 2023 timeframe for completion of the program. The onus to surface challenges in a timely manner at this stage falls across all areas including the workstreams and in the business. Importantly, it also requires vigilance from Line 2, providing an opportunity to demonstrate a strong 'voice of risk' under the uplifted 3LoD model.

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

28 July 2023

This commitment to delivery in this final phase and addressing the program's target states requires ongoing rigorous Board oversight. A strong tone from the top, together with continued momentum from senior and middle management, is needed to ensure that Westpac meaningfully reinforces its focus on quality and consistency. This commitment must also be demonstrated through maturing practices as the shift away from CORE and towards a BAU operating environment draws nearer.

Program developments

The program saw several key developments over the course of this reporting period. Principal among them were closure of a third program workstream (relating to executive culture and capability), the successful reassessment of an activity previously deemed incomplete as complete and effective, and the completion of all implement activities, subject to Promontory's final assessment.

Importantly, Westpac supported its focus on quality through several mechanisms. An example is the initiation of 'deep dives' across targeted workstreams. The deep dives are a means by which Westpac can understand how selected workstreams will achieve their target states and workstream objectives by the due date under the remediation plan. These deep dive sessions will serve as an important mechanism to test and challenge whether target states will be met and identify where further action is required to ensure effective embedment.

As expected at this point in the Program, the bank is also beginning to consider the detail of a transition plan to effectively shift from the formal structure of CORE into the bank's BAU operating rhythms. This must be carried out in a manner that sustains the outcomes delivered under the Program and ensures that rigorous oversight and monitoring continue across the Group. Considerations as to approach are in the early stages of development and it is critical that an appropriate balance is struck between looking ahead whilst maintaining an unwavering focus on delivering the remaining activities under the Program. Promontory will provide more discussion of the transition plan in future reports.

Promontory observed constructive challenge and oversight through key governance forums. As the window of time to address issues or course correct as needed is compressing, the oversight provided through these governance forums is necessarily heightened. Over the coming phase, it is imperative that any challenges relating to scope, timeframes, or the ability to demonstrate quality of embedment are escalated rapidly and considered through these forums so that timely actions can be determined. This is important given that the concentration of activities over the remainder of the year includes arguably the most complex to be embedded such as risk culture, conduct risk, transformation capability and delivery, and end to end risk and control environment workstreams.

Transparency on status reporting continued to improve during this reporting period, with robust discussion of issues with amber and red ratings. The program's overall health status moved from red to amber during this reporting period, reflecting improvements in progress across workstreams and in the divisions. The risk culture workstream continued to be reported red, reflecting the ongoing work being undertaken to address considerable feedback previously

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

28 July 2023

provided. The end to end risk and control environment workstream moved from green to amber, with a significant volume of work to be delivered and embedded under this workstream.

In this context, Promontory notes whilst the status reporting for resourcing remained green during the quarter, the capacity and depth of capability to deliver on the program as a whole, is an area requiring consistent close monitoring and assessment. As the program enters its final phase, and noting the volume of work to be undertaken, risks associated with change fatigue and potential attrition amongst CORE program staff could place strain on existing resources. Managing this risk is important as the Bank continues to build risk management capacity and capability once the scaffolding of CORE is removed.

Focus areas

Westpac's momentum in implementing and embedding uplift measures under the program continued during the quarter. As the program moves deeper into the final phase, the bank's attention has expanded to include consideration of its approach to the transition away from the structure of CORE and into BAU. Whilst considerations of the future through transition to BAU are important, the current phase of the program requires a concentration of effort and focus. It is vital that this commitment to is led by a strong tone from the top including the Board.

Staying the Course

A root cause that Westpac is seeking to address through CORE is its ability to 'stay the course'. A transformation program of this magnitude will demonstrate whether Westpac can achieve its aim of becoming a bank 'known for execution and getting it done'. Westpac recognises that there remains a lot to do through CORE, and this is layered on a busy agenda of other change initiatives and cost reduction measures that have been underway for some time.

In this context, the impacts of change must not be underestimated. Intentional focus must be placed upon the important role played by the bank's staff and their leaders in middle management. A renewed approach will be required to maintain momentum and Westpac should carefully consider how best to utilise communication strategies during this final phase. Similarly, Westpac's leaders must continue to monitor closely for change fatigue and attrition, particularly where the timing of execution means that responsibility for delivering on plans may fall heavily on particular leaders or their teams.

Quality and Timeliness

As noted in our previous reports, the tension between quality and timeliness is inevitably more acute over this final phase of the Program. As the targeted completion date rapidly approaches, it is important that Westpac looks to foster strong, mature processes before they move out of the purview of CORE and demonstrates consistency and embedment across its operating environment. It is an opportune time to meaningfully test, refine and simplify processes implemented whilst the structure, feedback loops and escalation mechanisms of

CORE remain in place. Refining and improving practices will also serve to demonstrate the way in which capability is being strengthened across the business and risk teams.

Interconnections across Program Outcomes

With the divisions focused on embedment of individual activities, it is an important juncture for the bank to consider how well the interdependent uplift measures are working together as part of the risk operating environment. The components of the program should work in a connected manner to drive better practices, improved risk culture and decision making. All lines of defence under the 3LoD model, as well as the bank's senior management, play an important role in looking across the risk ecosystem as whole to ensure these linkages are working.

In addition to monitoring for interconnected practices and use of tools, the bank must also ensure that this is being consistently demonstrated throughout the embedment phase and into transition. Driving consistency of practices before the central structure of CORE comes to an end and practices fall within the domain of the divisions will help to drive greater interconnectivity. Over the coming phase Westpac has an opportunity to clearly cascade this narrative throughout the organisation as the focus shifts toward the future post-CORE to encourage an approach that supports ongoing improvement in risk practices.

We note that at the time of finalising our report (and after the conclusion of the reporting period), on 19 July 2023, Westpac announced organisational changes including the restructure of several key business divisions.[1] Westpac is currently considering how the implications for the CORE program are appropriately managed. Promontory's observations of these matters will be outlined in our next report.

---

[1] https://www.westpac.com.au/about-westpac/media/media-releases/2023/19-July/.

1. Introduction

1.1.   Background

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

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

1.2.   The Integrated Plan

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

- an immature and reactive risk culture;

- an organisational construct that creates complexity;

- a three lines of defence (**3LoD**) model that is not well understood or embedded;

- a shortfall in risk management capacity and capability; and

- challenges in execution and 'staying the course'.

Westpac has defined five target states in relation to each of these root causes, which it is seeking to achieve upon completion of the Program.

- 'we are a well run business where risk is actively managed';

- 'a simplified organisational construct with clear accountabilities';

- 'three lines of defence is understood and embedded';

- 'our people understand risks and proactively manage them'; and

- 'we are known for execution excellence and getting it done'.

The Integrated Plan consists of 19 areas of work (**Workstreams**), which are categorised into eight themes (**Themes**), as shown in Table 1.1 below.[2] For each Workstream, Westpac sets

---

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

out in the Plan what it is aiming to achieve through the work being done in that area (**Workstream Objective**).

Table 1.1: Themes and Workstreams

Theme	Workstream
Board Governance	WS1 - Board Risk Governance
Culture and Capability	WS2 - Executive Culture & Capability
	WS3 - Risk Culture
	WS4 - Organisational Design
	WS5 - Remuneration & Consequence Management
	WS6 - Risk Roles & Capability
Transformation Capability & Delivery	WS7 - Transformation Capability & Delivery
Risk & Compliance Management	WS8 - Risk Management Framework
	WS9 - Non-Financial Risk Reporting & JUNO Functionality
	WS10 - End-to-end Risk & Control Environment
	WS11 - Assurance
	WS12 - Compliance Management
Conduct	WS13 - Conduct Risk
Complaints	WS14 - Customer Complaints
Technology & Data Risk	WS15 - Technology Risk Governance
	WS16 - Data Risk Governance
Financial Risk Classes	WS17 - Credit Risk Governance
	WS18 - Market Risk Governance
	WS19 - Liquidity & Capital Adequacy Risk Governance

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

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

● a Design Activity, which involves work to define an approach to address the associated Deficiencies;

- an Implement Activity, which involves work to roll out that approach; or

- an Embed Activity, which involves demonstrating the operational effectiveness and ongoing sustainability of the approach.

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

1.3. The CORE Program

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

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

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

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

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

1.4. Promontory's Approach

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

Our role as independent reviewer includes:

- assessing the effectiveness of Westpac's execution of the Program; and

- delivering quarterly reports.

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

28 July 2023

1.4.1. Assessing Effectiveness

Our role as independent reviewer includes assessing the effectiveness of Westpac's delivery of Design, Implement, and Embed Activities. Upon completion of an Activity, Westpac compiles a closure memo and relevant artefacts (**Closure Pack**) which forms the basis of Promontory's analysis and assessment of Activities.

For Design Activities, all have been closed, our assessments focused on whether:

- the Activity Closure Criteria had been met; and

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

For Implement Activities, our assessments focus on whether:

- the Activity Closure Criteria have been met;

- any outstanding queries identified by Promontory in assessing a preceding Activity have been addressed;

- there is evidence of progress being made towards achieving the relevant Deliverable's Target State; and

- consideration has been given to the sustainability of the Activity being implemented.

For Embed Activities, our assessments focus on whether:

- the Activity Closure Criteria have been met;

- any outstanding queries identified by Promontory in assessing a preceding Activity have been addressed;

- there is evidence of the Deliverable's Target State being achieved, including whether the systems and processes designed for the Deliverable are operating effectively in addressing the Target State;

- there is evidence of the program deliverable metrics (**Program Deliverable Metrics**), which measure performance against the Target State for individual Deliverables, reaching the required level; and

- the Deliverables are sustainable so they support and evidence the maintenance of the Target State on an ongoing basis.

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

- any outstanding queries identified by Promontory in assessing the preceding Activities have been addressed;

- all further information requirements from Promontory have been addressed;

- the measures and mechanisms used to support the maintenance of the Target State have been operationalised; and

- the completed Deliverable has contributed to achieving the Workstream Objective or, for the final Deliverable within a Workstream, that the completed Deliverable (together with other completed Deliverables) have, in aggregate, achieved the Workstream Objective.

The Deliverables within the Plan have been designed to address the identified Deficiencies.

1.4.2. Reporting

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

- the status of Westpac's compliance with the EU and progress against the Integrated Plan; and

- whether Promontory considers the implementation of the Integrated Plan to be effective and sustainable, and the reasons for Promontory's conclusions.

Promontory has delivered nine reports on Westpac's response to the EU, since March 2021, with this being Promontory's tenth report (**Tenth Report** or **Report**). This Report covers the period from 1 April 2023 to 30 June 2023 (**Reporting Period**). The status of the Program is reported as at 30 June 2023 (**Reporting Date**).

This Reporting Period marks a new phase for the CORE Program, with all remaining Implement Activities completed by Westpac, subject to Promontory's final assessment. Accordingly, to better reflect the current stage of the Program and the Bank's focus on operationalisation and embedment of the uplift measures, Promontory has made some changes to the structure of its Report. Revisions have been made to Chapter 2 and Chapter 5 to focus on the progress of operationalisation across the Program's themes at a holistic level, rather than through the lens of discrete Design, Implement, or Embed phases. Additionally, Chapters 3 and 4 have been combined and outline our observations from an integrated perspective in relation to key program developments and areas of ongoing focus.

1.5.   Report Structure

The remainder of this Report is structured as follows:

- **Chapter 2** summarises progress on, and the status of, the Program;

- **Chapter 3** describes significant developments in relation to the Program that occurred during the Reporting Period and Promontory's observations on those areas, listing areas for Westpac to focus on over the coming period; and

- **Chapter 4** provides details about Activities assessed as complete during the Reporting Period.

2. Program Progress

The Integrated Plan is made up of 354 separate Design, Implement or Embed Activities. These Activities are grouped into 83 Deliverables which make up 19 Workstreams. One new Activity has been added during the Reporting Period, Embed Activity 3.1.6 relating to the Risk Culture Framework. This was added in response to the findings raised through an external review of Westpac's Risk Culture Activities (see Promontory's Ninth Report). As at the Reporting Date, Westpac had delivered Closure Packs for 304 Activities to Promontory.

During the Reporting Period, Promontory assessed 22 Activities (15 Implement Activities, seven Embed Activities, and eight Deliverables) as complete and effective. Of these:

- eight were Culture and Capability Theme Activities;

- one was a Transformation Capability and Delivery Theme Activity;

- one was a Conduct Theme Activity;

- six were Risk and Compliance Management Theme Activities;

- three were Technology and Data Risk Theme Activities; and

- three were Financial Risk Class Theme Activities.

Figure 2.1 Program progress
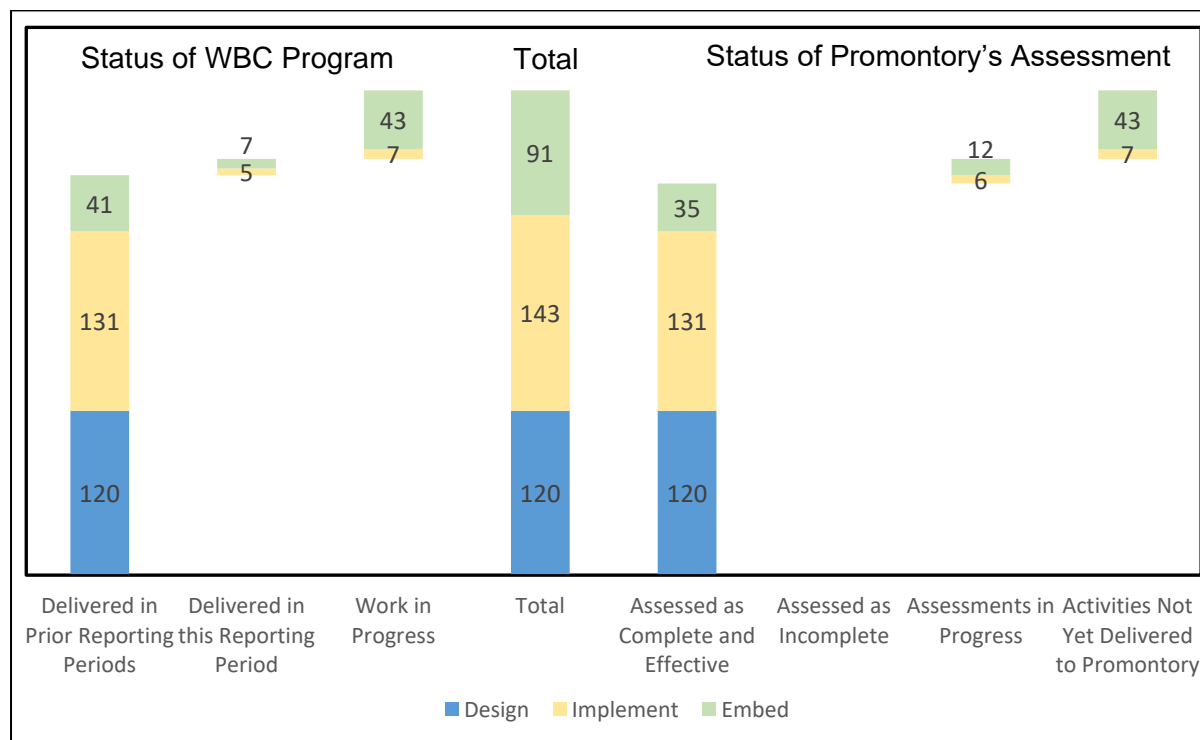
Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, 286 Activities had been assessed and closed as complete and effective. This is comprised of:

- all 120 Design Activities;

- 131 of 143 Implement Activities; and

- 35 of 91 Embed Activities.

Further information on the assessment of these Activities is provided in Chapter 5.

Each of the Activities assessed as complete and effective provides, in our view, a sound basis for achieving the Target State for the Deliverable to which it relates. Together, these Activities are well positioned to provide a sound basis for achieving the Program's overall objectives on an ongoing basis. Progress by Theme as at the Reporting Date is set out in Table 2.1.

Table 2.1 Activity Progress by Theme

Theme	Activities with Westpac			Activities Submitted to Promontory			Total
	Work Not Commenced	Work in Progress	Completed but not yet Submitted to Promontory	Assessment Underway	Assessed as Complete and Effective	Assessed as Incomplete	
Board Governance	0	2	1	2	25	0	30
Culture and Capability	0	8	7	1	100	0	116
Transformation Capability and Delivery	0	4	4	0	25	0	33
Risk and Compliance Management	0	11	4	10	78	0	103
Conduct	0	2	0	3	11	0	16
Complaints	0	0	0	0	18	0	18
Technology and Data Risk	0	1	1	2	21	0	25
Financial Risk Classes	0	4	1	0	8	0	13
TOTAL	**0**	**32**	**18**	**18**	**286**	**0**	**354**

Table 2.2 Deliverable Progress by Theme

Theme	Deliverables with Westpac			Deliverables Submitted to Promontory			Total
	Work Not Commenced	Work in Progress	Completed but not yet Submitted to Promontory	Assessment Underway	Assessed as Complete and Effective	Assessed as Incomplete	
Board Governance	0	2	0	2	5	0	9
Culture and Capability	0	8	2	2	12	0	24
Transformation Capability and Delivery	0	4	3	0	0	0	7
Risk and Compliance Management	0	10	3	6	5	0	24
Conduct	0	2	0	2	0	0	4
Complaints	0	0	0	0	4	0	4
Technology and Data Risk	0	1	1	3	2	0	7
Financial Risk Classes	0	4	0	0	0	0	4
TOTAL	**0**	**31**	**9**	**15**	**28**	**0**	**83**

3. Program Developments

3.1. Overview

This Reporting Period marked a significant milestone for the Program with Westpac completing the implement phase (subject to Promontory's assessment) and closing its third Workstream for the Program relating to Executive Culture and Capability.[3] Promontory has also reassessed and closed as complete and effective the incomplete Activity, relating to Westpac's Transformation Policy and Standards.

The Bank continued to undertake activities to support quality outcomes. One example is deep dives that were initiated for targeted areas of the Program to assess how Workstreams will achieve their Deliverable Target State and Workstream Objectives by the scheduled completion of the Integrated Plan. These deep dives are a positive mechanism for providing additional oversight and to focus attention on the quality of operationalisation.

The volume of work over the quarter has been significant and the impacts of the resultant changes across the organisation continue to support ongoing improvements to risk governance. Promontory has observed the development of solid foundational structures and processes to better identify and manage risks. We have observed richer risk-focussed discussion in forums, improved reporting grounded in data leading to increased ownership of risks and sharpened role clarity across the Three Lines of Defence (**3LoD**) model. Westpac has instituted formalised structures to share mistakes and lessons learned, and over time these will help to reduce the risk of a good news bias in risk identification or reporting.

Whilst it is important for the Bank to remain focused on embedding changes into the business so that they form part of the BAU operating rhythm, as foreshadowed in our previous reports, it is also timely that Westpac is considering its proposed approach to transitioning out from the construct of the Program and into BAU. In this context, during the Reporting Period, Westpac made the decision to maintain the original scheduled timeframe for completion in December 2023 and gave greater consideration to the transition to BAU.

In this section, we describe these key Program developments in more detail and highlight aspects of the Program that continue to warrant attention.

3.1.1. Completion of CORE and transition to BAU

As outlined in our Eighth and Ninth Reports, Westpac has undertaken a thorough review of its progress and Program timeframes, utilising all available data points to determine whether any adjustment is required. After critical reflection and wide-ranging internal consultation, the Bank has decided to maintain the original scheduled timeframe for completion of the Program by the end of December 2023.

---

[3] Workstream 2 – Executive Culture and Capability.

Westpac will need to maintain vigilant oversight of the work that remains to identify and quickly respond with targeted action, to any issues that threaten the agreed timeframes. This should include close monitoring of those Activities and Deliverables which are due for completion towards the end of the Program, and careful assessment of any delivery and capacity constraints.

As is expected at this point in the Program, Westpac has begun to consider the detail of a transition plan to effectively shift from the CORE Program to BAU practices. This must be carried out in a manner that sustains the outcomes achieved to date, and ensures effective oversight and monitoring continues across the Group. Key to this will be ongoing mechanisms that support consistent practices across the Bank and enable continuing improvement. Careful consideration should be given to avoiding overly complex arrangements, as this will undermine sustainable change.

Westpac's transition plan is expected to include mechanisms to monitor the effectiveness of sustainability practices and continuous improvement, as well as additional work in areas where further development will be required to improve and mature CORE outcomes beyond the completion of the Deliverables within the Plan. This may include areas such as risk culture, transformation capability and delivery, end to end risk management, and strengthening the 3LoD model. Westpac's considerations are still at an early stage and will be developed over the coming period.

As the Bank continues to consider the details of its transition approach, it is critical that the Program's current focus remains primarily on delivering the remaining Activities and Deliverables to a high quality to ensure the desired outcomes are achieved. This is particularly important at this stage, which arguably requires delivery of the most complex and challenging work to address the Program's Target States and root causes. The ability to rapidly identify risks or challenges, and respond quickly, is key.

3.1.2. Program Deep Dives

To support the commitment to quality and responding to the risks we highlighted in our previous Report, Westpac initiated 'deep dives' across targeted Workstreams during the Reporting Period. These will continue for the remainder of the year. The objectives of the deep dives are to:

- understand how Workstreams will achieve their Deliverable Target States and Workstream Objectives by the due dates of the Plan;

- identify potential focus areas for FY24; and

- understand the BAU mechanisms and how they will ensure uplifts and changes delivered by the Program will operate and remain sustainable in BAU.

One deep dive in relation to Transformation Capability and Delivery (WS7) was held during the Reporting Period as part of the June SteerCo. This generated good engagement from

across a range of Divisions and provided insights into particular areas which Divisions considered warrant further attention and discussion to ensure effective embedment.

Westpac will hold additional deep dives in relation to Risk Culture (WS3) and the End-to-End Risk and Control Environment (WS10) in the next Reporting Period. In future, Westpac may wish to consider either allocating additional time to SteerCo meetings where a deep dive is to be discussed or establishing separate sessions to focus solely on the Deep Dives. These deep dives serve as an important mechanism to test and challenge whether the Target States will be met and, as such, warrant sufficient time for consideration.

3.2. Program Health

3.2.1. Program Health Status

The Program continued to use health status reporting (Red, Amber, Green) to identify areas of risk and focus during the Reporting Period and, as we have noted in previous reports, it is important that there is support for calling out 'less than green' ratings. The Program's overall health status was reported as Amber in the June SteerCo (for the period up until the end of May 2023). This is an improvement from Red (for the period up until the end of February 2023) reported to the March SteerCo in the previous Reporting Period, reflecting improvements in Workstream and Divisional Health. This improvement was largely driven by:

- the progress made in addressing challenges reported as part of the Risk Culture Workstream (WS3) and the Transformation Capability and Delivery Workstream (WS7);

- mitigating actions implemented for the risks to delivery timeframes, including triage of Activities for assessment by Promontory and active management of activities falling due in the second half of 2023; and

- improved confidence in delivery following the approval of several change requests which provided additional clarity on scope, and extended delivery timeframes to demonstrate embedment.

The Risk Culture (WS 3) Workstream was the only Workstream reported as a Red at the June SteerCo. This was due to ongoing work being undertaken in addressing feedback from Promontory, internal stakeholders within Westpac, and an external review. Transformation Capability and Delivery (WS7) improved to an Amber rating during this Reporting Period, due to the launch of the Transformation Policy and Standards and the reassessment by Promontory of all incomplete activities as complete and effective. WS7 continues to face challenges in relation to the schedule for Divisions to demonstrate effective implementation and embedment of the Transformation Policy and associated Risk in Change Activities, by the due dates of the Transformation Policy and associated Risk in Change activities.

End to End Risk and Control Environment (WS10) deteriorated to Amber during the Reporting Period due to Divisional queries in relation to implementation of Deliverable 10.1 (risk

assessment and value chains), and related outcome measures tracking below expectations in some Divisions. Further work is being performed on clarifying the Deliverable scope and expected outcomes.

Where Divisions reported an Amber rating to the June SteerCo those ratings were driven by a range of factors including:

- Scope: reflecting that more work is still to be done to define an approach and methodology to support the integration of enabling services into customer facing value chains (WS10).

- Schedule: reflecting Divisional concerns around the ability to demonstrate embedment of sustainable outcomes in the remaining timeframe for the Program. Several Divisions have highlighted the concentration of Activities over the remainder of the year, particularly across Risk Culture (WS3), Conduct (WS13), Transformation Capability and Delivery (WS7), and End to End Risk and Control Environment Workstreams (WS10).

- Outcomes: various outcomes across the Divisions are either on watch or currently do not meet FY23 objectives.[4] Each Division has developed a path to Green, with some indicating that these will be reassessed following the completion of key Deliverables in the coming period.

Westpac is addressing these factors through close engagement between Workstreams and Divisions.

Health status reporting continues to be an important tool for Westpac to closely monitor where Divisions might be encountering challenges and to respond decisively with actions as needed.

3.2.2. Program Oversight and Governance

Board Oversight

Rigorous Board oversight is critical as the Program enters its final phase.

Board oversight continued through the BRiskC where, among other things, the Board discusses updates and reporting on the CORE Program. Promontory observed one BRiskC during the Reporting Period.

Agenda items directly relating to the Program included:

- the CORE Report, including a discussion on Promontory's Ninth Report; and

- a risk culture update (WS3).

Promontory also observed a BRiskC Workshop during the Reporting Period, which included four deep dives relating to (1) credit risk, (2) reputation and sustainability, (3) non-financial risk and (4) APRA's Prudential Standard CPS 230 on Operational Risk Management. The

---

[4] See section 3.2.4.

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

28 July 2023

workshop generated a robust discussion and challenge in relation to each of the areas of focus.

Promontory also observed a Board Remuneration Committee (**BRemC**) meeting during the Reporting Period. This was undertaken as part of Promontory's ongoing sustainability monitoring of Westpac's uplift to its Remuneration and Consequence Management Frameworks implemented as part of the Program (WS5). Promontory observed detailed and robust discussion during this session with regards to the application of the frameworks.

During the Reporting Period, Westpac also conducted two Director Touchpoints with CBB and WIB. Each session was attended by two Directors and provided an opportunity for them to obtain deeper insights into the Divisional execution of the Program. Promontory continued to observe constructive challenge and discussion from the Directors with an increased focus on demonstrating embedment, addressing root causes, and achieving Program Target States.

Director Touchpoints continue to present an important opportunity for the Board to challenge management on the progress of delivery and responses to key risks emerging as part of the Program. This is particularly critical at this stage of the Program.

Risk and Group Audit Oversight

Both Line 2 and Line 3 continued to play an active role in reviewing and providing assurance over the delivery of the Program during the Reporting Period.

Line 2 continued to execute its responsibilities in overseeing the Program in line with its updated approach described in our Ninth Report. In particular, Line 2 has shifted its focus towards monitoring areas which have been previously identified as requiring effort within each of the Program root causes.

During the Reporting Period, Line 2 placed specific focus on end-to-end risk management, risk culture, conduct and the 3LoD. For some of these Deliverables, Line 2 has noted that Activities are closer to Implement than Embed and will require further effort to achieve expected levels of maturity. This includes risk in change and use of value chains, as part of the end-to-end risk management, and Line 2 assurance as part of the 3LoD model. In this context, Line 2 has reinforced that there is a need to be clear on the work required to demonstrate achievement of the Target States and completion of the Program, and the work which will be BAU and part of continuous improvement. As part of this, Line 2 BAU focus will be on outcomes and the importance of driving consistency within the Divisions, across Line of Business (**LoBs**) and business units (Bus).

As in previous Reports, Promontory also continued to meet regularly with Group Audit to discuss their observations on Program progress and share views on key issues and risks. Group Audit delivered 13 reports relating to areas with potential considerations for the CORE Program during the Reporting Period.[5]

---

[5] Up to 26 June 2023.

During the Reporting Period[6], one of the Group Audit reports identified some concerns in relation to control deficiencies and an immature risk culture, and highlighted a range of considerations for the CORE Program, including:

- ensuring there is adequate risk management capability and capacity within the first line;

- ensuring appropriate oversight of Westpac subsidiaries by Line 2;

- ensuring adequate uplift of risk management practices, including value chain mapping, risk and control documentation, and issue and incident management.

While these areas have not been identified as systemic, these findings highlight potential inconsistencies in the operationalisation of the uplift measures being implemented as part of the Program. Management responses have been developed in relation to the issues identified.

Program Governance

Promontory continued to observe the main Program governance forums, including the SteerCo and the CORE GM Governance Forum (**CGF**) during the Reporting Period. These forums continued to facilitate constructive discussion in relation to the key issues and challenges being faced across the Program surfaced through transparent and detailed status reporting.

Promontory has observed that there may be an opportunity to allow additional time to deal with more complex issues relating to embedment. For example, while there was constructive discussion and wide-ranging contributions in the Program Deep Dives there was scope for further consideration of the key issues (see section 3.1.2). Looking ahead, Westpac could consider whether there would be benefit in either extending the length of these forums or restructuring the agenda to enable greater focus and allow more time on thematic areas. This is particularly important in the context of recent observations from Line 2 (noted above), emphasising the need to focus on delivering consistent embedment.

3.2.3. Program Management

Resourcing and Funding

The overall Program health status for resourcing remained Green during this Reporting Period, with only two Workstreams (Risk Culture, WS3 and Credit Risk, WS17) reporting an Amber rating. CST was the only Division to Report an Amber rating for resourcing for the period ending May 2023, due to a lack of clarity on the approach or scope for the integration of Enabling Services into the customer facing value chains.

It is important that resourcing continues to be closely managed over the remainder of the Program, and post-completion. This includes not only ensuring adequate risk-management capacity, but also capability, particularly in areas such as risk identification, controls design, and risk in change. Westpac must not lose sight of this, as any deceleration in building risk

---

[6] Up to the period 26 June 2023.

management capacity and capability once the Plan is completed and the scaffolding of CORE is removed, could have critical impacts on the longevity of uplift measures across the Bank.

Promontory observed that funding continues to be appropriately managed for the Program, however this is an area that should continue to be closely monitored. It will be important that Westpac continues to monitor whether changes in the current environment, such as cost resets, pose risks to the ongoing sustainability of CORE measures, including potential implications on staff engagement at a time when their ongoing efforts to deliver changes are crucial.

Communications

Communications continued to play a key role in the Program during the Reporting Period. Examples of key communication strategic initiatives that were delivered during the Reporting Period include:

- **Navigate Leader Workshop – Proactively Managing Risk:** Westpac held a Navigate session hosted by key senior stakeholders including the Group General Counsel and Group Chief Risk Officer. They shared a deep dive into the root cause of a regulatory conduct matter and highlighted the lessons learned. This was attended by over 2000 middle managers. The post session survey responses indicated the event promoted a better understanding of how to share lessons learned and what it means to proactively manage risks. Promontory observed it to be an effective and engaging session which concluded with a clear call to action for leaders to share a lesson learned with their teams. These sessions are crucial to and serve as an effective means of achieving greater 'cut through' and fostering a safe 'speak up' culture.

- **3LoD:** Throughout the quarter, GEs across each Division have shared the recently refreshed and simplified 3LoD materials. Communications highlighted the importance of the model in managing risk and understanding roles and responsibilities. At a Group level, Westpac is using storytelling to articulate how each line works, and how the model can deliver better outcomes. Moving forward, Westpac will continue to evolve its messaging in response to feedback and increase specificity to each line with a clearer call to action. Promontory notes that these clear communications will serve as an important means of reinforcing accountabilities.

Looking ahead, Westpac has indicated it will continue to focus its communication activities on the areas of reflection and continuous improvement, quality and timeliness, cultural transformation, and the 3LoD model. At this stage in the Program, communications are an important tool in maintaining momentum, combatting change fatigue, and promoting sustainable outcomes. Communications should continue to reinforce the narrative underlying the Program and the practical outcomes it has and will continue to bring to Westpac's way of working.

3.2.4. Measuring Program Outcomes

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

- 182 Program Deliverable Metrics, which measure performance against the Target State for individual Deliverables within the Integrated Plan.

- 51 Outcome Measures, which are BAU measures that will continue beyond the completion of the Program. These measures are intended to provide a view of select business performance measures that, in aggregate, will indicate whether Westpac is seeing the necessary uplift in risk, governance and culture.

Deliverable Metrics

Reporting on Program Deliverable Metrics occurred during the Reporting Period for all but two Metrics.[7] Of the 180 reported metrics, 137 were considered Green, 20 were rated Amber, 22 were complete and one was without a rating.[8] Green rated metrics decreased by 5%, with several metrics moving to Amber. These metrics were primarily in relation to End to End Risk Management and Controls, which has been identified as an area of focus for Westpac. Westpac has noted that the trend is expected to improve across a number of these metrics.

Outcome Measures

As at Q2 FY23, over 50% of Outcome Measures achieved their FY23 objectives and 62% of Group level Outcome Measures are showing a clear positive trajectory from baseline. This is relatively stable compared with the previous quarter. Westpac has indicated that this is not unexpected, as targets are revised and 'stretched' to reflect the current phase of the Program.

3.3. Focus Areas

As the Program moves further into embedment, the Bank's attention has rightly expanded to include consideration of its approach to the transition away from the structure of CORE and into BAU. While this is timely, given the current phase of the Program, there is still much to do under the remaining Deliverables to ultimately meet the Program's five Target States.

The remaining Activities and Deliverables are arguably the most critical in driving the intended outcomes of the Program. These include:

- reinforcing responsibilities by continuing to build capability under the 3LoD model and demonstrating embedment within Line 1 and Line 2;

- evidencing consistency of practice as well as the strong voice of risk through proactive oversight and challenge;

---

[7] The remaining two metrics that were not reported relate to Deliverable 9.4 which is a newly created technology solution scheduled to report at the end of the implementation activities, due June 2023.

[8] Indicates either no historical comparison available, and/or movement not indicative of favourable or unfavourable outcomes. In this instance, this relates to '*% incidents identified by Second Line'*. This has been refined to only include 'new' incidents from Jan 2023. A change to update the IP through the change control process will be undertaken next quarter.

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

28 July 2023

- continuing to consistently implement the value chain operating model, with coverage expanding across a number of the Bank's corporate services; and

- implementing and embedding uplift measures relating to conduct risk, transformation capability, and uplifting the Bank's risk culture – which remain key watchpoints for the Program.

In this context, it is important for Westpac to strike an appropriate balance between focusing on the future through transition to BAU, and the current phase of the Program which requires significant effort to effectively embed the remaining Activities by the due dates set out in the Plan.

During this intensely busy period for Westpac, a strong tone from the top, including from the Board, is vital. In addition, support from middle management to ensure that they are also providing aligned messaging and behaviours remains essential. Sound leadership is important to ensuring that the Bank can achieve the objectives and targeted outcomes under the Program and continue to drive the behavioural changes that will significantly contribute to ensuring a sustainable uplift.

Most of the challenges being faced by the Program are not new. However, the window of time to address issues or course correct as needed is rapidly compressing. As such, a heightened level of oversight and responsive actions will be required, and Westpac must remain vigilant and dynamic in its approach over this final phase. The Bank should continue to take proactive steps that will help to mitigate the risks associated with these challenges. Good examples of this are the Bank's ongoing analysis of completed but yet to be closed Activities and Deliverables to assess confidence of closure and to identify any issues that require action, and assessment of performance metrics against CORE Outcome Measures. These provide regular opportunities to critically and proactively assess whether any additional actions are required.

Our focus areas below draw out some of the key factors that Westpac will need to remain attuned to over the coming period.

Staying the course

In the past, Westpac has experienced challenges in 'staying the course' during the more complex and difficult phases of earlier transformation programs. This is one of the root causes Westpac is seeking to address as it aims to become a Bank 'known for execution and getting it done'. To date, we have observed the Bank maintaining momentum with commitment and focus as changes are delivered.

During this final phase however, and as attention turns toward the future beyond CORE, close oversight of the risks associated with staying the course and change fatigue may become heightened. Westpac recognises that there remains a lot to do, and this is layered upon an already busy agenda of change that has been underway for a number of years. It would not be unexpected for some of Westpac's staff and management to increasingly feel the weight of relentless change and the request that they continue to do more. The impact of this should not be underestimated, particularly against the backdrop of broader economic conditions

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

28 July 2023

which continue to place pressure on banks, as well as any internal cost cutting initiatives which can have downstream impacts.

An important part of staying the course at this phase of the Program requires intentional focus on the important role played by the Bank's staff, encouraged by their leaders in middle management. This cohort at Westpac are ultimately charged with sustaining the changes and as such are critical to addressing the Program's Target States and Root Causes.

A renewed approach will be required to maintain momentum and Westpac should carefully consider how best to utilise communication strategies. During this final phase, the Bank's communications narrative should increasingly 'tell the story' of how the changes under CORE come together and how staff are contributing towards the overall uplift and intended outcomes. This includes reinforcing awareness of the interdependencies across Program outcomes – that is how frameworks, policies, processes, tools, and individual accountabilities all fit within the broader 'risk ecosystem'.

Actions for Westpac to consider

- Continued focus on the important role played by middle management and close monitoring for change fatigue risk, particularly in this cohort.

- Utilising communications to encourage continued momentum and reinforce the outcomes intended to be delivered by the Program on a holistic basis.

Quality and timeliness

The tension between quality and timeliness remains and is more acute over this final phase of the Program. In this context it is important that Westpac looks to foster strong, maturing processes before they move out of the purview of CORE and into Westpac's BAU environment.

As CORE moves toward the targeted completion date, it is important that Westpac *demonstrates* consistency and embedment. Accordingly, Westpac should look for opportunities over the coming period to show how the uplift measures are working in practice to drive improvements in risk management maturity. This is an important time for Westpac to evidence consistent practices and the benefits being derived across the organisation, as a means of reinforcing a continued focus on quality of outcomes.

Westpac must remain focused and continuously challenge the Divisions and LoBs to call out risks to delivery and any issues with how embedment is working in practice so that quality of outcomes is not compromised. This is particularly important for areas where embedment and timing challenges are the greatest. It is an appropriate time for the maturity of Line 2 and the strength of the 'voice of risk' under the uplifted 3LoD model to be clearly demonstrated as the Program's risks are heightened in this final phase.

The Bank should seek to maximise the opportunity to test, challenge, refine and simplify the processes implemented through the Program, while the scaffolding of CORE remains in place. Through this lens, and with the structure of CORE continuing to provide the appropriate

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

28 July 2023

feedback loops and escalation mechanisms, this is the period to meaningfully drive quality and consistency across the Bank. It will also serve as a means of demonstrating the way in which capability is strengthened as Line 1 and 2 teams continue to evolve their practices.

Actions for Westpac to consider

- Strong Line 2 oversight of embedment across Divisions and LoBs to drive consistency and quality in embedment.

- Continued encouragement to surface issues and challenges to enable dynamic responses.

- Proactively test, challenge, and simplify CORE processes while the CORE scaffolding remains in place.

Interconnections across Program outcomes

As Divisions and LoBs are focused on embedment of individual Activities, it is an important juncture for the Bank to give due consideration to how well all the interdependent uplift measures are working together as part of a risk ecosystem. This involves assessing how the various component parts of the Program are working together and whether the connectivity of practices is functioning as intended to drive improved risk, culture, and decision-making. All lines of defence under the 3LoD model and the Bank's senior management play an important role in rising above the detail of individual Activities and Deliverables and looking across the risk operating environment as a whole to make this assessment.

In addition to monitoring for how well interdependent practices and tools are functioning across the end to end environment, the Bank should also ensure that this is being demonstrated throughout the embedment phase and into transition. When the central structure of the Program comes to an end and practices remain with LoBs and Divisions as BAU, variances in practices will occur across the enterprise as businesses adapt them over time. Accordingly, Westpac should ensure that the Program is delivered with an appropriate level of consistency as this will help to drive greater interconnectivity and sustainability of practices end to end.

The Bank should seek to ensure that across the risk ecosystem there is consistent understanding of, and anchoring to, risk frameworks and risk appetite. Westpac should observe increasing co-ordination between BCM teams, consistent reporting and usage of data and systems, maturing utilisation of the value chain model to support decisions, and a proactive Line 2 with a strong voice of risk. Importantly, the building and maturing of risk management capacity and capability must be consistently demonstrated. A significant driver of the interdependent components of CORE working well over time will be the effectiveness of Line 1 and Line 2 working together while retaining a clear understanding of their responsibilities and demonstrating strong accountability.

Westpac should continue to monitor and drive consistent and interconnected practices across its end to end risk ecosystem and to demonstrate this. Over the coming phase Westpac has an opportunity to clearly cascade this narrative throughout the organisation before the focus

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

28 July 2023

shifts toward BAU post CORE, at which time there is a risk that assumptions may develop that the Project is 'finished' and everything is in order and will operate as intended.

Actions for Westpac to consider

- Look across the operating environment to critically assess whether interdependent practices are working as intended and in a consistent way across the end to end risk ecosystem, and across Divisions and LoBs.

---

4. Workstream Assessment and Progress

4.1. Introduction

During the Reporting Period, Promontory assessed 22 Activities (15 Implement Activities and seven Embed Activities) as complete and effective. Promontory also closed eight Deliverables. A further 19 Activities remained under assessment.

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

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

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

#[9]	Theme	Workstream	Activity	Phase	Activity Sign-Off Date
1	Culture and Capability	WS2	2.1.3	Embed	6 April 2023
2			2.5.3	Embed	26 May 2023
3		WS4	4.2.6	Embed	5 May 2023
4		WS6	6.1.2	Implement	6 April 2023
5			6.2.4	Implement	2 June 2023
6			6.4.5	Implement	9 June 2023
7			6.5.2	Implement	2 June 2023
8			6.6.4	Embed	9 June 2023
9	Transformation Capability and Delivery	WS7	7.3.2	Implement	9 June 2023
10	Risk & Compliance Management	WS8	8.4.2a	Implement	5 April 2023
11			8.5.2	Implement	14 April 2023
12			8.8.2	Implement	9 June 2023

---

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

#[9]	Theme	Workstream	Activity	Phase	Activity Sign-Off Date
13		WS10	10.2.4a	Implement	8 June 2023
14			10.7.2	Implement	27 April 2023
15		WS12	12.3.3	Embed	19 May 2023
16	Conduct Risk	WS13	13.4.2	Implement	21 April 2023
17	Technology and Data Risk	WS15	15.2.3	Embed	6 April 2023
18			15.2.5	Embed	6 April 2023
19		WS16	16.1.4	Implement	6 April 2023
20	Financial Risk Classes	WS17	17.1.2	Implement	23 June 2023
21		WS19	19.1.2	Implement	21 April 2023
22			19.2.2	Implement	30 June 2023

4.2. Board Governance Theme Progress

Promontory did not close any Board Governance Theme Activities during Reporting Period. Promontory is currently assessing two Activities and two Deliverables for this Theme. As at the Reporting Date, a total of 25 of 30 Board Governance Theme Activities had been assessed as complete and effective.

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

4.2.1. Workstream 1 – Board Risk Governance (WS1)

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

The Board and Board Committees operate effectively, set clear direction for Westpac's risk appetite and culture, and provide appropriate oversight of risk management, having regard to the foundations for good governance as outlined in CPS 510.

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

Figure 4.1: WS1 Activity Status
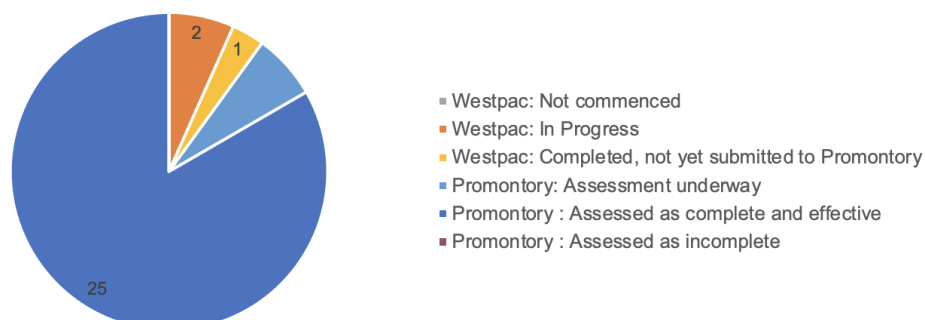
Table 4.2: WS1 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
1	Board Risk Governance	25	30
	Total	25	30

4.3.   Culture and Capability Theme Progress

During the Reporting Period, Promontory assessed eight Culture and Capability Theme Activities as complete and effective. Promontory is currently assessing one Activity and two Deliverables for this Theme. As at the Reporting Date, a total of 100 of 115 Culture and Capability Theme Activities had been assessed as complete and effective.

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

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

Westpac has a strong culture where Executives set the 'tone from the top' by role-modelling values and consistent behaviours and practices demonstrating sound risk management. Our Leaders coach our people to live our values and behaviours so that they can identify, report, manage and resolve risks and be accountable. The culture is supported by aligned processes, structures and systems and is measured to monitor our progress and outcomes.

This Workstream has five Deliverables consisting of 15 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Green. During the Reporting Period, Promontory closed this Workstream as complete and effective.

Figure 4.2: WS2 Activity Status
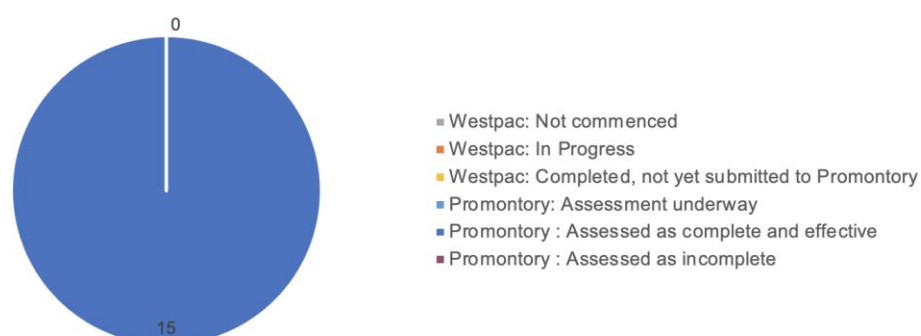
Table 4.3: WS2 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
2.1	Executive leadership culture and practices	3	3
2.2	Performance Management and Recognition Platform	3	3
2.3	Culture Measurement	3	3
2.4	Executive Capabilities	3	3
2.5	Strengthening the application of the Motivate framework to actively manage under performance and developing leadership skills on performance management (GM and GM1 as required)	3	3
	Total	**15**	**15**

Assessment of Deliverable 2.1

Deliverable 2.1 requires the implementation of Executive Leadership programs and initiatives to support Executive leader role-modelling of the behaviours that promote the sound management of risk.

As part of this Deliverable, Westpac has developed Culture Development Journeys to articulate the approach to developing and supporting leaders in promoting the sound management of risk and create a safe context to raise issues and concerns without fear of blame. Within the Journeys, Westpac has implemented the Leadership Circle Profile to support the Culture Reset and ongoing development of their Leaders. Westpac has also introduced a Voice + culture measure to track progress in relation to key behaviours and practices identified and support the cultural shift Westpac is driving.

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles are operating effectively to support the maintenance of the Target State.

Activity 2.1.3

Embed Activity 2.1.3 requires the development of effective processes in place to continuously review and improve Executive Leader Journeys and outcomes of initiatives to create a safe context to create a safe context to raise issues and concerns without fear of blame.

A post implementation review (**PIR**) was completed for the revised Executive Edge Program, and Executive Leader Journeys were reviewed to ensure that the desired behavioural outcomes were being achieved. The PIR showed that the collective cultural development of Executive Leaders through the Journeys had success in building and embedding the key focus areas of leadership alignment, constructive challenge, creating a safe context, and accountability.

The PIR led to the development of several recommendations to support sustainable embedment, including expanding the range of development options, creating more opportunities for storytelling, and bringing together leaders to one face to face culture development event each year to continue to build leadership alignment. These recommendations were built into the design and implementation approach for Journeys.

After reviewing the Closure Pack for this Activity, Promontory requested further information in relation to how the outcomes of the PIR were socialised, and the planned capability building activities for the middle management.

Based on our assessment of the Activity Closure Pack and additional documentation we received, we concluded that Westpac had developed an effective process to continuously review and improve Executive Leader Journeys and outcomes of initiatives to create a safe context to raise issues and concerns without fear of blame. As part of this, Promontory noted that it would look to observe an additional cycle of the PIR and reviews to provide further evidence of the sustainability approach to this Deliverable in practice.

Assessment of Deliverable 2.5

Deliverable 2.5 requires the strengthening of reporting in relation to underperformance and provide development offerings to better manage underperformance in a targeted way.

As part of this Deliverable, Westpac has designed an approach to strengthen the existing reporting capability within Motivate so that a specific subset of leaders can be identified and supported to manage underperformance. This was supported by a communication approach to those identified as 'underperforming', to reach out and identify leaders and promote learning opportunities to those leaders as well as leaders more generally to upskill in diagnosing performance issues and leading underperformance conversations. This included developing a performance counselling playbook, rolling out briefings and training sessions and developing an additional escalation point where an employee is identified as underperforming for four successive quarters.

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

28 July 2023

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles are operating effectively to support the maintenance of the Target State.

Activity 2.5.3

Embed Activity 2.5.3 required the utilisation of development offerings rolled out, with feedback from leaders that they feel confident to identify and address underperformance. This Activity led to some incremental improvements and changes delivered as part of the approach implemented in Activity 2.5.2. This included:

- a new performance counselling playbook to help leaders navigate the performance counselling stage of performance management;

- on demand recorded briefing sessions, viewable by leaders at any time; and

- a new escalation and trigger to notify a leader if an employee has been identified for four successive quarters to ensure a discussion and to agree how best to proceed.

After reviewing the Closure Pack for this Activity, Promontory requested additional information in relation to the root causes of underperformance and the extent to which they will continue to be monitored, as well as how Westpac will assess the threshold set for underperformance on an ongoing basis.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac had taken appropriate steps to roll out development offerings and targeted reporting to identify and address underperformance.

4.3.2. Workstream 3 – Risk Culture (WS3)

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

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

This Workstream has four Deliverables consisting of 25 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Red, reflecting a number of challenges with the delivery of risk culture initiatives.

Figure 4.3: WS3 Activity Status
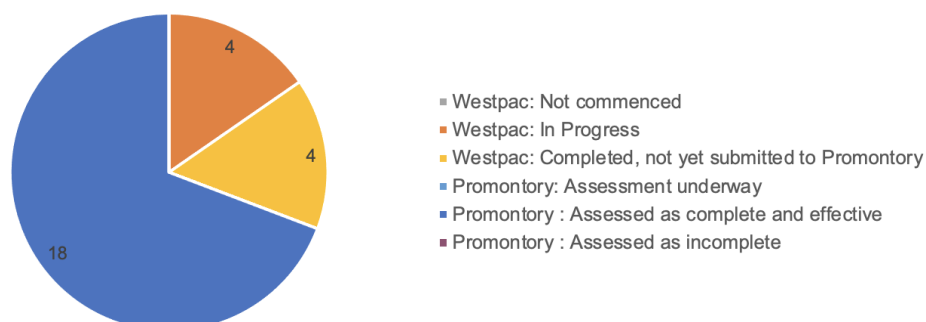
Table 4.4: WS3 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
3.1	Risk Culture Framework	4	6
3.2	Risk Culture Dashboard	3	5
3.3	Risk Culture Maturity Self-Assessment	7	9
3.4	Risk Culture Insights Program	4	6
	Total	18	26

4.3.3. Workstream 4 – Organisational Design (WS4)

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

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

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

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

Figure 4.4: WS4 Activity Status

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

Table 4.5: WS4 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
4.1	Organisation Design Principles	5	5
4.2	3LoD model in the First Line	7	7
4.3	Roles, responsibilities, and delegations	6	6
4.4	Making decisions and engaging across roles	2	3
	Total	20	21

Assessment of Deliverable 4.2

Deliverable 4.2 requires the strengthening of Line 1 ownership and accountability for risk management and compliance (consistent with 3LoD principles), the establishment of the Hub and Spoke model across relevant Divisions, and clearly defined responsibilities in front-line teams versus BCM teams as well as between central BCM team ('Hub') and line of business (LoB)-aligned teams ('Spokes').

As part of this Deliverable, Westpac:

- designed Division-specific communications and change plans that strengthened Line 1 ownership and accountability for risk management and compliance;

- created an overarching change management, communications, and engagement strategy;

- designed and implemented Division-specific Hub and Spoke models for risk management in Line 1;

- re-designed the risk components for Line 1 job descriptions based on risk accountabilities; and

- completed Divisional implementation of the My Risk Accountabilities (MRA) based on the 3LoD model.

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

28 July 2023

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles are operating effectively to support the maintenance of the Target State.

Activity 4.2.6

Embed Activity 4.2.6 requires the embedment of risk accountabilities for Line 1 roles across the Group in compliance with 3LoD model principles through the usage of MRA profiles supported by risk goals.

A PIR was conducted to review the effectiveness of the design and implementation of risk accountability tools and ensure effective embedment. Results indicated that there was a positive uplift in understanding risk accountability across the Bank in the last 18 months, supported by MRA profiles and Risk Goals, as well as the roll out of Statements of Accountability (SoAs) and the LoB operating model.

Key feedback included that additional work was needed to embed MRA profiles into the Bank's operating rhythm and articulate their use case. It was recommended that People Leaders promote employee awareness and understanding of MRA profiles as part of a team's regular operating rhythm, through sharing examples and stories of how to apply risk accountabilities in common BAU scenarios. Additionally, it was recommended that the Workstream improve visibility and usage of the MRA Hub on the intranet by updating back-end search engine optimisation and creating direct links between MRAs and Motivate.

Action plans were prepared and executed to address these recommendations, and as a result the MRA field was integrated into the Motivate system. This was important to align the MRA profile with the quarterly conversation process in Motivate and embed this within the regular operating rhythm.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had taken appropriate steps to embed risk accountabilities for Line 1 roles across the Group in compliance with 3LoD model principles through the usage of MRA profiles supported by risk goals.

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

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

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

This Workstream has three Deliverables consisting of 17 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Green. This Workstream has been closed.
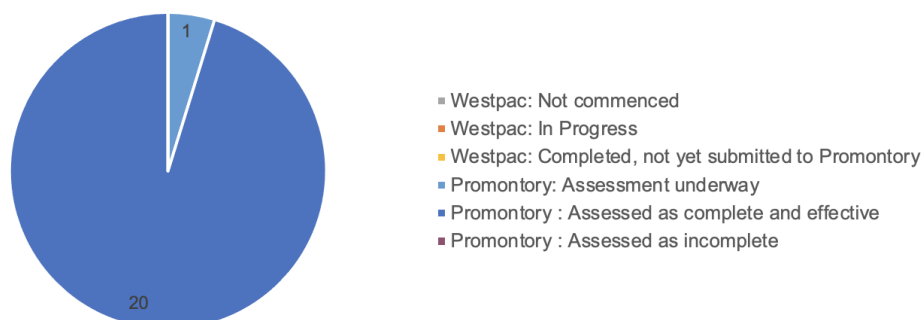
Figure 4.5: WS5 Activity Status

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

Table 4.6: WS5 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
5.1	Remuneration adjustment process	6	6
5.2	Risk Gate and Remuneration Adjustment Criteria	7	7
5.3	Remuneration Framework and Policy	4	4
	Total	17	17

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

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

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

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

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

This Workstream has eight Deliverables consisting of 37 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Green.

Figure 4.6: WS6 Activity Status
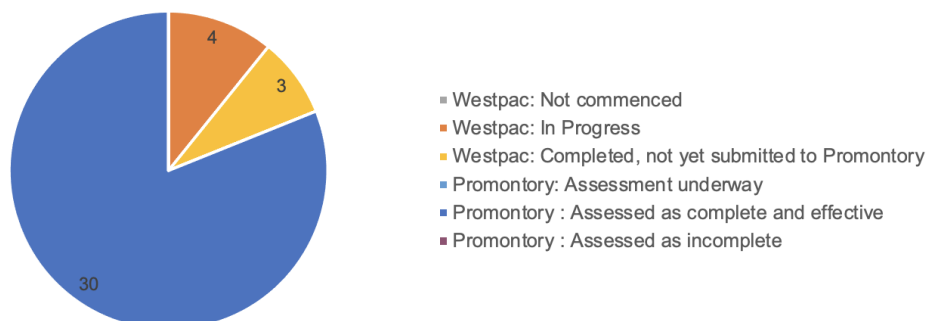
Table 4.7: WS6 Deliverables Progress
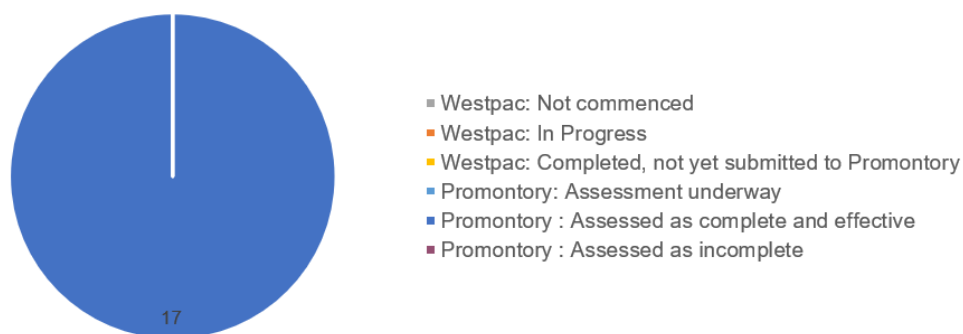
#	Deliverable	Closed Activities	Total Activities
6.1	Organisational structure in the Second Line	5	7
6.2	Risk capacity across the 3LoD	4	5
6.3	Risk capability in the Second Line	3	4
6.4	Risk capability in the First Line	5	6
6.5	Risk capability assessment	2	3
6.6	Risk Fundamentals	4	4
6.7	Risk Knowledge Management Chatbot ('Risk Assist')	4	5
6.8	Risk reporting tools and capabilities	3	3
	Total	30	37

Assessment of Deliverable 6.1

Deliverable 6.1 requires Westpac to establish a 3LoD Second Line operating model and that this operating model be fully adapted to the Group's LoB operating model.

Activity 6.1.2

Implement Activity 6.1.2 requires the implementation of changes to the Line 2 operating model to reflect changes in the organisational model and the LoB construct, including through updating associated SoAs of senior leaders in Line 2.

Westpac's Line 2 operating model is documented in the Second Line Operating Model Design document (refer to Assessment of 6.1.2a in Promontory's Ninth Report) which has been communicated across Line 2. To implement the model, Motivate goals relating to the adoption model were rolled-out for all Line 2 staff and upon which employee performance is assessed.

Key changes resulting from the implementation of the model includes the introduction of QBR (assessed as part of WS7) and the Chapter model in Line 2. The Line 2 Chapter model was

established with the introduction of two Chapters, the Operational Risk Chapter and the Credit Risk Chapter, which provides a mechanism for uplifting and standardising practices for employees with similar responsibilities. Since its establishment, the Line 2 Chapter model has expanded to include an Assurance Chapter and a Risk Transformation Chapter. The effectiveness of the Chapter model is assessed biannually.

Following the organisational restructure that led to the amalgamation of the Risk and Financial Crime, Compliance, and Conduct (**FCC&C**) Divisions, SoAs have been developed for all employees at the GM 1 level in Line 2.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the rollout of the Chapter model and impacts to senior leader resourcing from the amalgamation of the Risk and FCC&C Divisions.

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 implement the Line 2 operating model.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 6.1, we will consider how the effectiveness of the Line 2 operating model in-practice will be assessed outside of the Motivate goal self-assessment process.

Assessment of Deliverable 6.2

Deliverable 6.2 requires assessing the adequacy of the risk resource capacity across the 3LoD.

Activity 6.2.4

Implement Activity 6.2.4 requires the launch of the capacity assessment methodology for risk across the 3LoD.

This Activity involved testing the guidance and support material developed with stakeholders, communicating the launch of the risk capacity assessment through the Risk Management Framework Maturity Assessment (RMFMA) communications approach, holding RMFMA training sessions regarding how to complete the risk capacity assessment, drawing insights from the outcomes of the assessment to develop next steps and conducting a PIR on the risk capacity assessments to identify opportunities for improvement.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding whether analysis was performed to understand the improvements required in people capacity, the RMFMA action plans related to people capacity concerns and whether risk capacity assessments consider any specific capacity requirements in relation to conduct risk.

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 launch the capacity assessment methodology for risk across the 3LoD.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 6.2, we will consider how the capacity issues identified in the risk capacity assessment outcomes (vacancies and attrition rates, scarcity of risk specialist resourcing, lack of automation of processes and volume of work) have been managed and addressed and whether this has led to a sustainable improvement in their risk capacity at a Divisional level.

Promontory will also consider how all the improvement opportunities identified in the PIR have been actioned, the methodology implemented to test the effectiveness of the risk capacity assessment in the RMFMA process and evidence of communication with divisions and updates to the guidance material when changes to the assessments are made.

Assessment of Deliverable 6.4

Deliverable 6.4 requires the delivery of capability uplift in the First Line based on a gap analysis carried out against target-state guides. This capability uplift may include training, communications, change management, recruitment and process changes.

Activity 6.4.5

Implement Activity 6.4.5 requires defining and implementing capability uplift initiatives for the agreed remaining risk classes which include strategic risk, risk culture risk, cyber risk, reputation and sustainability risk, capital adequacy, funding and liquidity, and market risk. It also requires the reporting of progress in capability uplift as part of quarterly updates.

Capability uplift initiatives were implemented by each Division through their respective action plans. Divisional sharing of the implementation of the action plan was carried out on a fortnightly basis at the Divisional Implementation Leads meeting to showcase ideas and leverage learnings to address risk capability gaps. This meeting also allows for any challenges to be shared and resolved quickly. A quarterly reporting cycle was also implemented to report progress for each Division. In addition, the Non-Financial Risk Dashboard and the Risk Culture Maturity Self-Assessment are also used to report progress made by Divisions in uplifting their risk capability as part of their normal operating rhythms of the businesses.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the completion rates of the action plans, the embedment of the capability uplift initiatives beyond implementation, and to observe the CBB Division Risk Excellence Showcase.

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 ensure that the mechanisms for monitoring the implementation of the action plans are working effectively and will be carried through to the embedment phase. The CBB Risk

Excellence Showcase was also a good improvement opportunity to raise risk awareness at Westpac.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 6.4, we will consider how all the action plans have been completed as planned and request further evidence on uplift in risk capability identified as priorities by the Workstream.

Assessment of Deliverable 6.5

Deliverable 6.5 requires the establishment of an approach for risk capability assessments across the 3LoD.

Activity 6.5.2

Implement Activity 6.5.2 requires the roll out of the risk capability assessment methodology and tools across 3LoD and the performance of an assessment to establish the current risk capability baseline.

The steps taken to launch the capability assessments across the 3LoD involved testing the guidance and support material developed with stakeholders, communicating the launch of the risk capability assessment through the RMFMA communications approach, holding RMFMA training sessions regarding how to complete the risk capability assessment, drawing insights from the outcomes of the assessment so to develop next steps and conducting a post implementation review on the risk capability assessments to identify opportunities for improvement.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had taken appropriate steps to roll out of the risk capability assessment methodology and tools across 3LoD and performed an assessment to establish the current risk capability baseline.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 6.5, we will consider how the capability gaps identified in the risk capability assessment outcomes (Risk Identification and Response, Control Design and Testing and Risk in Change in the context all of Risk Classes) have been filled, especially through the Divisional action plans, and whether these gaps remain, how all the improvement opportunities identified in the PIR have been actioned, the methodology implemented to test the effectiveness of the risk capability assessment in the RMFMA process and evidence of communication with Divisions and updates to the guidance material when changes to the assessments are made.

Assessment of Deliverable 6.6

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

Activity 6.6.4

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

28 July 2023

Embed Activity 6.6.4 requires the measuring of effectiveness of the Risk Fundamentals Program through survey or focus groups. It requires the embedment of e-learning modules into the training curricular and learning pathways for new starters and transferred hires, as well as the transition of risk capability material within content built into an appropriate BAU channel.

Four key initiatives were implemented through this Activity:

- four e-Learns were transitioned from Workstream into BAU Risk Capability team management;

- a PIR of the four e-Learns were completed and two workshops to support a continuous improvement approach were carried out;

- four e-Learns were reviewed and refreshed including alignment to newly updated frameworks and processes; and

- a sustainable learning solution related to foundational risk management knowledge for leaders and risk professionals were developed.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding sustainability of the Risk Fundamentals Program and the deliverable metrics.

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 consider the sustainability of the Activity being implemented, in particular whether practical and reasonable Program Deliverable Metrics have been designed, to support maintenance of the relevant Deliverable's Target State on an ongoing basis.

Promontory noted that, as part of our assessment of Deliverable 6.6, we will consider the outcome of the masterclasses conducted.

4.4.   Transformation Capability and Delivery Theme Progress

During the Reporting Period, Promontory assessed one Transformation Capability and Delivery Theme Activities as complete and effective. Taking into account Activities assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of 25 of the 33 Transformation Capability and Delivery Theme Activities had been assessed as complete and effective.

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

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

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

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

This Workstream has seven Deliverables consisting of 33 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Amber (see section 3.2.1)

Figure 4.7: WS7 Activity Status
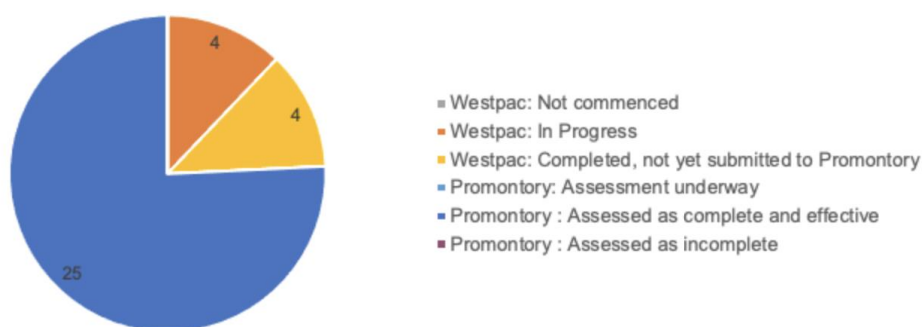
Table 4.8: WS7 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
7.1	Enterprise investment prioritisation reporting and submissions	3	4
7.2	Enterprise change oversight (incl. committees and Line 2 role)	3	4
7.3	Transformation governance and delivery standards	2	4
7.4	Transformation capability	2	3
7.5	Risk in Change accountabilities and training	4	5
7.6	Risk in Change practices	5	6
7.7	Risk in Change reporting	6	7
	Total	25	33

Assessment of Deliverable 7.3

Deliverable 7.3 requires the establishment and embedment of the target state framework, policies, standards, tools and procedures for transformation governance and delivery

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

28 July 2023

management to enable the achievement of enterprise and Divisional objectives, in line with strategic priorities.

Activity 7.3.2

Implement Activity 7.3.2 requires the implementation to standards and tools for portfolio shaping and delivery optimisation (including governance and interdependency management), and to standards and tools for change delivery governance, management, and assurance.

As outlined in our Eighth Report, Promontory had assessed the previous submission of this Implement Activity as incomplete because Westpac had not comprehensively addressed Divisional feedback or completed the implementation of all enhancements to the Transformation Policy and Standards. At that time, material items remained on the 'backlog' for the next iteration of the Transformation Policy and Standards.

Since our previous assessment, Westpac has considered the issues raised by Promontory and completed the implementation of enhancements to the Transformation Policy and Standard, leading to all items on the backlog being addressed. Westpac engaged in an intensive period of stakeholder engagement, including 23 workshops and 30 direct meetings with various key stakeholder groups. All Divisions acknowledged through attestation that their feedback has been addressed and the Policy and Standards were endorsed in writing.

Based on our assessment of the Activity Closure pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to complete the implementation of enhancements to the Transformation Policy and Standards.

Promontory noted that as part of our assessment of the subsequent Activity for Deliverable 7.3, we will consider the steps taken to ensure consistent understanding and implementation of the new risk-based approach to the Transformation Policy. Promontory will also meet with at least one Division and one Function to discuss their experience in implementing and operationalising the revised Transformation Policy and Standard, and ensure that these are supporting the management of change initiatives to deliver quality outcomes.

4.5.   Risk and Compliance Management Theme Progress

During the Reporting Period, Promontory assessed six Risk and Compliance management Theme Activities as complete and effective. Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 78 of the 103 Risk and Compliance Management Theme Activities had been assessed as complete and effective.

At the Reporting Date, 15 Activities for this Theme had not yet been submitted to Promontory for assessment.

4.5.1. Workstream 8 – Risk Management Framework (WS8)

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

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

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

Figure 4.8: WS8 Activity Status

- Westpac: Not commenced
- Westpac: In Progress
- Westpac: Completed, not yet submitted to Promontory
- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
- Promontory : Assessed as incomplete
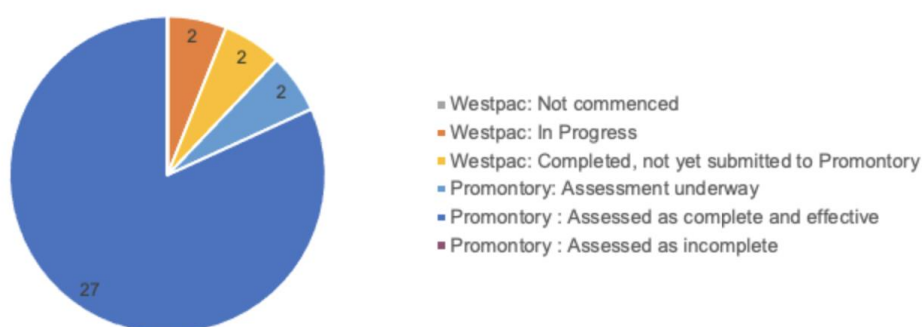
Table 4.9: WS8 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
8.1	Risk Management Frameworks and 3LoD	6	7
8.2	Group and Divisional RAS	4	5
8.3	Risk Policy management	5	5
8.4	Reputation Risk and Sustainability Risk	3	4
8.5	Emerging Risks	2	3
8.6	Risk Committees	2	3
8.7	ERM Dashboard	3	3
8.8	Prudential Governance Framework	2	3
	Total	27	33

Assessment of Deliverable 8.4

Deliverable 8.4 requires Westpac to enhance reputation risk and sustainability risk management through uplifted capabilities, appropriate reporting and governance, and updated frameworks, policies, and processes.

Activity 8.4.2a

Implement Activity 8.4.2a requires Westpac to implement additional key activities and operational processes to integrate reputation and sustainability risk considerations into the Group's material operations and processes, and improve the current management of the inclusion of these risks in risk profiles.

After reviewing the Closure Pack for this Activity, Promontory requested further information around why the risk profile assessments for some Divisions did not appear to have considered sustainability, climate change and/or social risks as required by the Activity.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that Westpac had taken appropriate steps to integrate reputation and sustainability risk into the Group's material operations.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 8.4, we will consider how the ESG Risk Team, and the owners of the Responsible Sourcing Program will engage with each other. We will also consider how the ESG Risk Tools are used in CBB and WIB to support due diligence of environmental, reputation and social risk at the client and transaction levels.

Assessment of Deliverable 8.5

Deliverable 8.5 requires Westpac to enhance its identification and management of emerging risks.

Activity 8.5.2

Implement Activity 8.5.2 requires Westpac to implement the revised emerging risk approach designed as part of Design Activity 8.5.1, and to hold emerging risk discussions at both the Group and Divisional levels.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the role of the Strategic Risk Oversight team, and whether there are any controls developed to facilitate alignment of practice to the Emerging Risk Practice Guide.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that Westpac had taken appropriate steps to implement the revised emerging risk approach and is holding emerging risk discussions at both the Group and Divisional levels.

Assessment of Deliverable 8.8

Deliverable 8.8 requires Westpac to review and enhance the Prudential Governance Framework to uplift the end-to-end management of prudential obligations.

Activity 8.8.2

Implement Activity 8.8.2 requires Westpac to Implement the target operating model for prudential obligations management and Group-wide prudential governance.

The operating model for prudential obligations management changed significantly as part of Activity 8.8.2, with accountability for the management of prudential obligations shifting to the relevant Risk Profile Owners. As part of this transition, Risk Profile Owners reassessed their Risk Profiles to reflect the prudential obligations mapped to their Risk Profile.

The prudential attestation process, that supports the annual Risk Management Declaration, has also been simplified to support the Prudential Standard Owners. Multiple dashboards and reports were made available to Prudential Standard Owners to support their monitoring responsibilities under the PMP. Sessions were also held with Divisional CROs to communicate their changing oversight responsibilities under the PMP.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the governance model for material interpretations and ongoing prudential control uplift activities.

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 implement the operating model for prudential obligations management.

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

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

JUNO is enhanced, including provision of consistent, timely and meaningful risk information to the Board and management through standardised risk reports and dashboards that provide insights and inform decision-making. JUNO is the system of record for non-financial risks, obligations, controls, issues, and incidents, with underlying data and quality requirements defined and reported against.

This Workstream has four Deliverables consisting of 14 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Green.
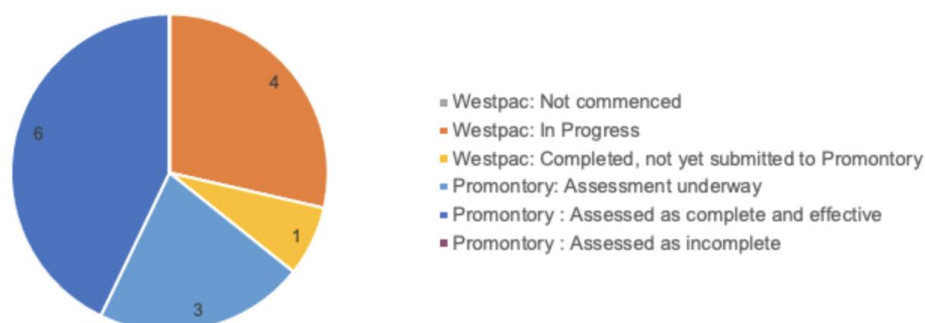
Figure 4.9: WS9 Activity Status

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

Table 4.10: WS9 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
9.1	NFR infrastructure, analytics, and reports	1	3
9.2	JUNO functionality upgrade	2	4
9.3	JUNO data quality and support model	2	4
9.4	Risk and Control Assessment Automation	1	3
	Total	6	14

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

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

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

This Workstream has seven Deliverables consisting of 41 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Amber. This reflects Divisional queries in relation to Deliverable 10.1 and outcome performance in CBB, WIB, and CST.
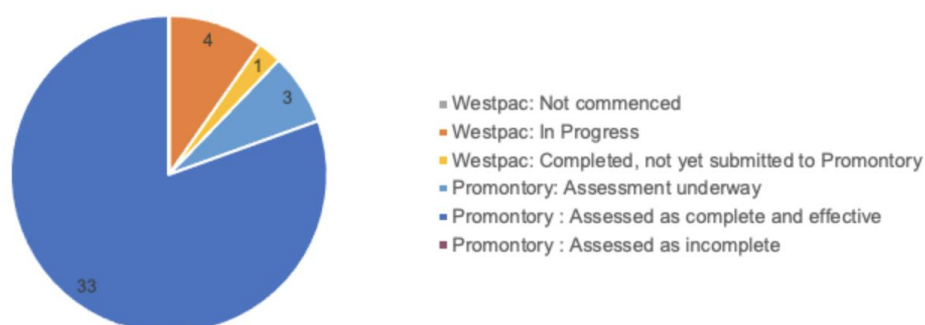
Figure 4.10: WS10 Activity Status

Table 4.11: WS10 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
10.1	Risk assessment and Value Chains	6	7
10.2	Group Controls Library	6	8
10.3	Controls self-assessment	3	4
10.4	Issues management	9	10
10.5	Incident management	2	3
10.6	Root cause analysis	5	6
10.7	Value Chain Maintenance solution	2	3
	Total	33	41

Assessment of Deliverable 10.2

Deliverable 10.2 requires the design and implementation of the Group Controls Library in JUNO to promote controls standardisation.

Activity 10.2.4a

Embed Activity 10.2.4a requires the implementation of the Controls Optimisation Operating Model and related roles and responsibilities.

The Operating Model was implemented via a monthly Controls Optimisation Working Group comprised of members nominated by the Divisions. The Working Group meets monthly to coordinate the control optimisation activities being rolled out across the Group. The Working Group also provides a platform for improvement opportunities to be identified and socialised across the Divisions.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the operation of the Control Optimisation Working Group, the

selection of control initiatives and the process and decision-making for the non-financial risk control targets and objectives. We also observed a Controls Optimisation Working Group.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac is taking appropriate steps to define and create the non-financial risk control target state, the operation of the Control Optimisation Working Group is being executed as intended, and there is evidence of shared learnings among the Divisions and LoBs.

Assessment of Deliverable 10.7

Deliverable 10.7 requires the development of solutions to enable Value Chain Owners and Lines of Business to maintain their value chain processes and data more efficiently and effectively.

Activity 10.7.2

Implement Activity 10.7.2 requires Westpac to implement enhancements to enable alerts to value chain owners and operators when changes occur impacting their value chains. It also requires the implementation of reporting to support value chains maintenance.

After reviewing the Closure Pack for this Activity and meeting with the Workstream, we concluded that Westpac had taken appropriate steps to implement a system and associated business processes to support the maintenance of value chains.

4.5.4. Workstream 11 – Assurance (WS11)

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

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

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

Figure 4.11: WS11 Activity Status
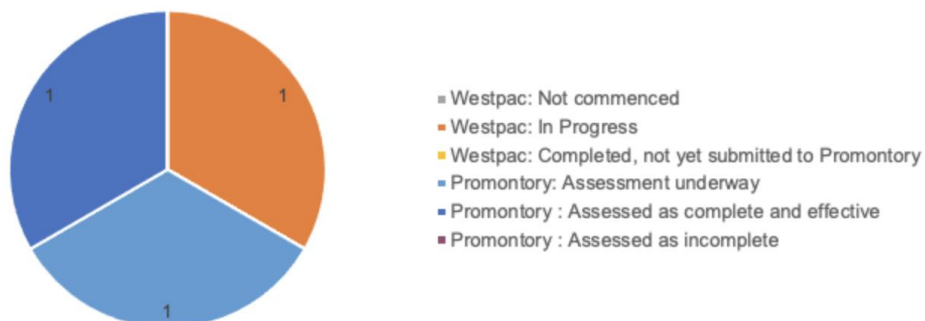
Table 4.12: WS11 Deliverable Progress

#	Deliverable	Closed Activities	Total Activities
11.1	Assurance	1	3
	Total	1	3

4.5.5. Workstream 12 – Compliance Management (WS12)

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

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

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

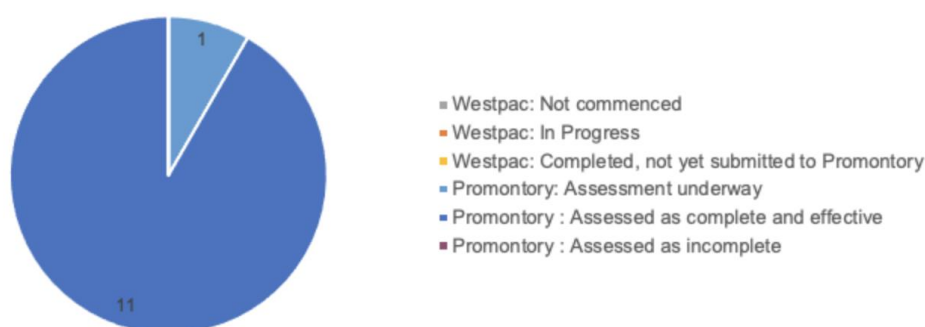**Figure 4.12: WS12 Activity Status**

Table 4.13: WS12 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
12.1	Compliance Obligations management	2	3
12.2	Breach reporting	3	3
12.3	Regulatory commitments	3	3
12.4	Managing regulatory developments	3	3
	Total	11	12

Assessment of Deliverable 12.3

Deliverable 12.3 requires the establishment of an effective operating model for managing regulatory commitments, including clear accountability and a central register for regulatory commitments.

As part of this Deliverable, Westpac demonstrated that the operating model for managing regulatory commitments is consistent with regulatory commitments being delivered in target timeframes. In addition, key stakeholders continued to share insights and lessons learned through formal mechanisms.

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles are operating effectively to support the maintenance of the Target State.

Activity 12.3.3

Embed Activity 12.3.3 requires Westpac to embed the regulatory commitments model and to monitor its effectiveness via regular reporting and the implementation of continuous improvement actions.

The work performed under this Activity encompassed continuous improvement initiatives to embed the operating model for Westpac's management of regulatory commitments. It included stakeholder feedback sessions, reporting enhancements, uplifts to guidance materials, learning pathways and training, as well as the development of a 'community of practice' for Regulatory Response Managers.

After reviewing the Closure Pack for this Activity, Promontory requested further information. We were particularly interested in understanding how the information and reporting generated from the regulatory commitments register would be used to gain insights and inform risk management practices, as well as the mechanisms to ensure sustainability of the operating model.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that the Westpac has established an effective process for the governance of regulatory commitments. Appropriate mechanisms are in place to ensure the ongoing sustainability of the regulatory commitments model and that ongoing reporting and

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

28 July 2023

collection of data from regulatory commitments should contribute to improved risk management practices over time.

4.6. Conduct Theme Progress

During the Reporting Period, Promontory assessed one Conduct Risk Theme Activity as complete and effective. Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 11 of 16 Conduct Risk Theme Activities had been assessed as complete and effective.

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

4.6.1. Workstream 13 – Conduct Risk (WS13)

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

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

This Workstream has four Deliverables consisting of 16 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Amber.

Figure 4.13: WS13 Activity Status
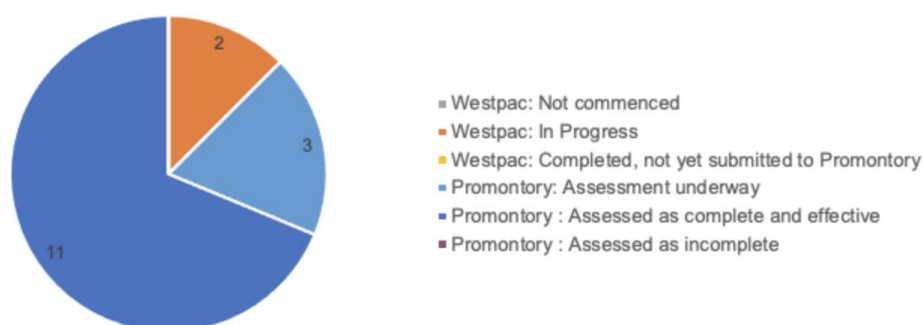
Table 4.14: WS13 Deliverables Progress

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

#	Deliverable	Closed Activities	Total Activities
13.4	Conduct Risk assessment and reporting	2	3
	Total	11	16

Assessment of Deliverable 13.4

Deliverable 13.4 requires Westpac to establish a standard way of assessing, measuring and reporting Conduct Risk across the Group.

Activity 13.4.2

Implement Activity 13.4.2 requires the roll-out and usage of the Conduct Risk measurement, assessment and reporting methodology across Divisions/Group.

The primary mechanism for the roll-out and usage of the Conduct Risk Dashboard assessment methodology was to make available additional guidance on conduct risk identification through the Group's Mission Control Risk Playbook. Divisions could access and utilise this guidance when completing the risk and control assessment process in accordance with the Group Risk and Control and Assessment methodology. Additionally, 31 Conduct Risk measures were released in SIP for use in Divisional and Group risk reporting.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding three issues identified with the implementation of this Activity, being:

- although the Conduct Risk Dashboard had been rolled-out within the closure date for this Activity, not all in-scope Divisions had demonstrated usage of the Conduct Risk Dashboard in Divisional Risk Committees by the time of closure of the Implement Activity;

- there had been inconsistent ways in which Divisions had adopted and used the Conduct Risk Dashboard as a result of no minimal criteria about the measures when rolling it out in this Activity; and

- the sustainability of the Conduct Risk Dashboard in light of other tools being used with the same measures in Divisional reporting, such as the Non-Financial Risk Dashboard.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted that could demonstrate steps taken by Westpac during our assessment period to address the items above, including extending the timeframe to complete Embed Activity 13.4.3 of Deliverable 13.4 from 30 March 2023 to 31 December 2023, we concluded that Westpac had taken appropriate steps to demonstrate that the conduct risk measurement, assessment and reporting methodology had been rolled out across Divisions / Group and is being used in Divisional and Group Risk Committees.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 13.4, we will consider the sustainability of the Conduct Risk Dashboard and the outcomes of the embedment of the use of the Conduct Risk measurement, assessment and reporting methodology by Divisions and the Group.

4.7. Complaints Theme Progress

There were no Activities submitted for assessment during the Reporting Period, given that all 18 complaints Theme Activities had previously been assessed as complete and effective during prior reporting periods. This Workstream and Theme has now been closed.

4.7.1. Workstream 14 – Customer Complaints (WS14)

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

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

This Workstream has four Deliverables consisting of 18 Activities. This Workstream has now been closed.

Figure 4.14: WS14 Activity Status

- Westpac: Not commenced
- Westpac: In Progress
- Westpac: Completed, not yet submitted to Promontory
- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
- Promontory : Assessed as incomplete
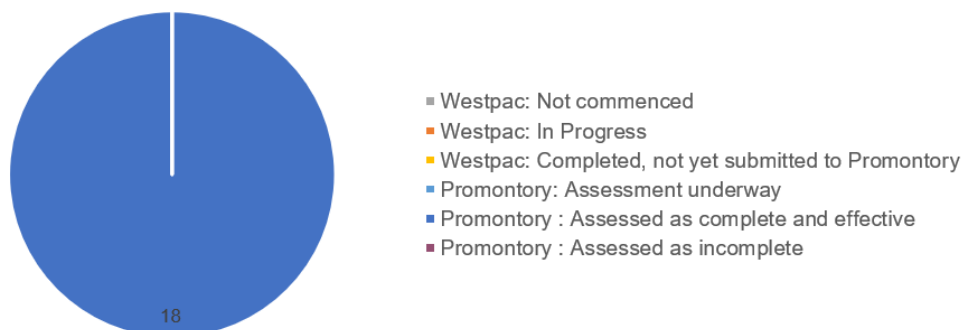
Table 4.15: WS14 Deliverables Progress

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

#	Deliverable	Closed Activities	Total Activities
Total		18	18

4.8.   Technology and Data Risk Theme Progress

During the Reporting Period Promontory assessed three Technology and Data Theme Activities as complete and effective. Taking into account Activities assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of 21 of the 25 technology and data Theme Activities had been assessed as complete and effective.

As at the Reporting Date, Promontory was in the process of assessing two Activities for this Theme, and two Activities had not been submitted to Promontory for assessment.

4.8.1. Workstream 15 – Technology Risk Governance (WS15)

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

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

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

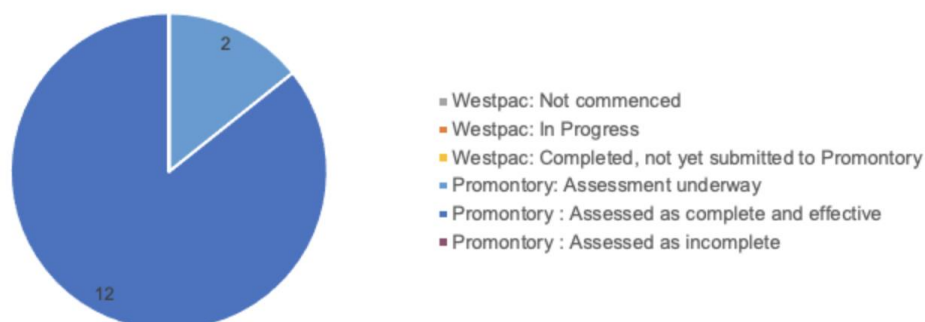**Figure 4.15: WS15 Activity Status**

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

Table 4.16: WS15 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
15.1	Identification and measurement of technology risk (RAS and KRIs)	3	3
15.2	Technology service risk	5	5
15.3	Technology roadmap prioritisation and investment governance	2	3
15.4	Technology risk oversight and reporting	2	3
	Total	12	14

Assessment of Deliverable 15.1

Deliverable 15.1 requires Westpac to define and document technology risk appetite, with a focus on risk measurement to define key risk indicators and appetite thresholds.

As part of this Deliverable, Westpac has developed a Technology Risk Appetite embedded in Divisional Risk Committees and Board Risk Committee reporting to manage Westpac's technology in line with the defined appetite.

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles are operating effectively to support the maintenance of the Target State.

Assessment of Deliverable 15.2

Deliverable 15.2 requires Westpac to define and document a framework to consistently assess and measure technology service risk.

As part of this Deliverable, Westpac has designed the Service Risk Assessment (SRA) process and produced supporting documentation in the form of the SRA Standard, SRA Process, and SRA Monitoring Plan. As at the closure of this Deliverable, Westpac had performed an annual assessment for all critical applications in the Technology Managed and Business Managed application portfolios. Westpac have also implemented a formal QA review, and further review is provided by Line 2 over assessment rating.

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles are operating effectively to support the maintenance of the Target State.

Activity 15.2.3

Embed Activity 15.2.3 requires the embedment of the SRA process, including scheduling, monitoring, reporting, ongoing training and determination of applicable remedial actions. It also required the embedment of a review process that will assess consistency of SRAs and inform enhancements to training materials.

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

28 July 2023

The primary mechanism for the review of SRAs was review of a sample of completed SRAs, and other relevant materials including recent reporting and training. Promontory also observed the WIB SRA Review for Corporate and Institutional Bank (CIB) portfolio applications and held discussions with relevant stakeholders.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding reporting on SRA outcomes, the actions to resolve the inconsistencies identified in the internal WS15 review and the guidance and outcomes of the quality assurance step in the SRA process.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to complete SRAs in line with established schedules and conduct ongoing monitoring and reporting on SRA progress and outcomes. Ongoing training was also provided to relevant stakeholders, and an internal WS15 Review and Line 2 Technology Risk Review were performed to review consistency of SRAs and inform enhancements.

Activity 15.2.5

Embed Activity 15.2.5 requires the embedment of the SRA process for Business Managed Applications.

The primary mechanism for the review was assessing a sample of completed SRAs, and other relevant materials including recent reporting and training.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to complete SRAs in line with established schedules, with Business Application Owners monitoring and reporting on the completion of SRAs. Ongoing training was also conducted for Business Application Owners and business BCM teams.

4.8.2. Workstream 16 – Data Risk Governance (WS16)

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

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

This Workstream has three Deliverables consisting of 11 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Green.
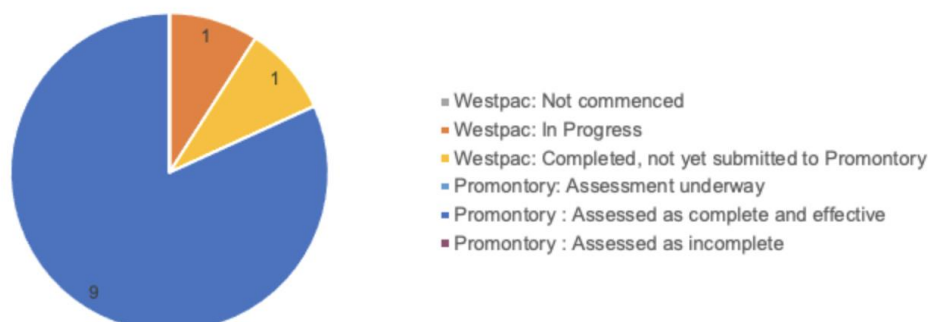
Figure 4.16: WS16 Activity Status

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

Table 4.17: WS16 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
16.1	Data oversight and reporting	4	5
16.2	Tooling and execution	2	3
16.3	Incident definition and rating	3	3
	Total	9	11

Assessment of Deliverable 16.1

Deliverable 16.1 requires the enhancements of the Group's data oversight and operating model, with particular focus on assessing and measuring risk against risk appetite.

Activity 16.1.4

Implement Activity 16.1.4 requires Divisions to design Action Plans to progress the onboarding of Critical Data Elements (**CDEs**) and manage data risk to risk appetite. Divisions were also required to implement enhanced reporting and dashboard(s) to monitor data controls, data quality and data risk appetite.

The primary mechanism for the review of actions plans was through review of a sample of action plans and relevant training and guidance.

The primary mechanisms for the review of implementation of enhanced reporting and dashboard was through a review of reporting to various governance forums and data committees, including BRiskC, Enterprise Information Management Council, Enterprise Data Owner Working Group and Divisional Data Councils. Promontory also held a several discussions with relevant stakeholders.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the mechanisms in place to support consistency of action plans. Promontory also requested further information relating to the implemented dashboards,

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

28 July 2023

including responses to relevant audit findings, planned enhancements and the action plan to support Divisional implementation.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to design and demonstrate progress against action plans to address CDEs. Westpac had also implemented tools to generate reporting on data risk.

4.9. Financial Risk Classes Theme Progress

Taking into account Activities assessed as complete and effective in previous reporting periods, as at the Reporting Date, eight of the 13 financial risk classes Theme Activities had been assessed as complete and effective.

As at the Reporting Date, all five remaining Activities for this Theme had not yet been submitted to Promontory for assessment.

4.9.1. Workstream 17 – Credit Risk Governance (WS17)

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

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

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

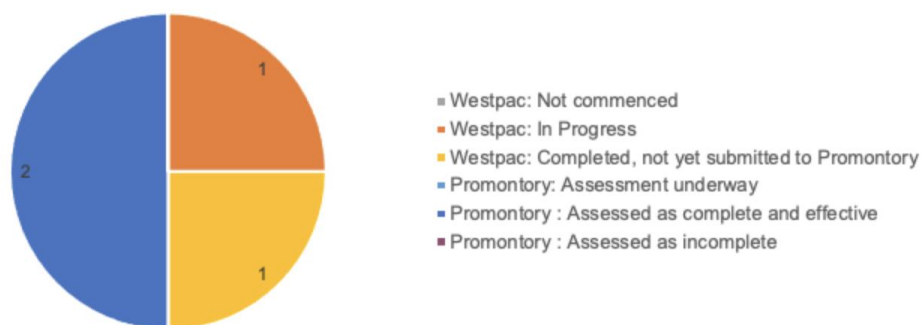**Figure 4.17: WS17 Activity Status**

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

Table 4.18: WS17 Deliverable Progress

#	Deliverable	Closed Activities	Total Activities
17.1	Credit Risk governance	2	4
	Total	2	4

Assessment of Deliverable 17.1

Deliverable 17.1 requires the review and enhancement of the Credit Risk Framework and practices, as required, with a particular focus on controls for compliance with Prudential Standards and Reporting Standards, external reporting, and alignment with the RMF and 3LoD.

Activity 17.1.2

Implement Activity 17.1.2 requires the completion of the following sub-activities:

- Implementation of the revised Credit Risk Framework including incorporating credit process risk appetite metric into Group and Divisional Risk Appetite Statement (**RAS**).

- Implementation of the target state Credit Risk 3LoD model to Divisions (as applicable).

- Implementation of suggested improvements to the Credit Risk Compliance Plan and the Prudential Regulatory Returns.

- Identification and implementation of improvements required for Credit Risk against the updated Prudential Obligations Management Framework.

- Implementation of process to identify, capture, approve, monitor and report Credit Risk Policy exceptions (where improved process is not already in place).

The following key activities were carried out in the Implement phase:

- An annual review, out-of-cycle change and the cascading or risk appetite measures were carried out for the credit risk frameworks and policies.

- Progress of control uplifts was tracked for Credit Risk Prudential Compliance.

- The Regulatory Return Uplift Program led the delivery of the uplift of the Scrutiny Review Meetings to facilitate critical assessment of the accuracy and all risks attaching to a return before data is submitted to the regulator; the review of the APRA Reporting Standards control environment; and the JUNO integration of Regulatory Return obligations and control linkages.

- WS17 provided support to Divisions/LoBs in the uplift of the Group Credit Exceptions Policy through the development of the reporting requirements for the Credit Policy exceptions and providing guidance in the review process.

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

28 July 2023

- In preparation for execution of the transfer of activities between the lines of defence, WS17 established a cross-functional 3LoD implementation team and established working groups to oversee pre-transfer and execution activities, developed implementation approach documents and provided post-implementation support for the implementation of the target state Credit Risk 3LoD model to Divisions.

After reviewing the Closure Pack for this Activity, Promontory requested further information to demonstrate effective implementation of the Credit Risk Management Framework across the Divisions/LoB.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to complete the elements required as part of this Activity.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 17.1, we will consider:

- the progress of Regulatory Return Uplift Program recommendations;

- the embedding of the credit risk cultural components as outlined in the Credit Risk Management Framework;

- the effectiveness of the control environment;

- the effectiveness of the risk committee ecosystem in relation to credit risk management;

- the progress on addressing High and Medium rated Line 2 and Group Audit findings; and

- the progress in the development of maturity in the management of credit policy exceptions across different LoBs.

4.9.2. Workstream 18 – Market Risk Governance (WS18)

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

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

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

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

28 July 2023

Figure 4.18: WS18 Activity Status

Table 4.19: WS18 Deliverable Progress

#	Deliverable	Closed Activities	Total Activities
18.1	Market Risk governance	2	3
	Total	2	3

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

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

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

This Workstream has two Deliverables consisting of six Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Green.
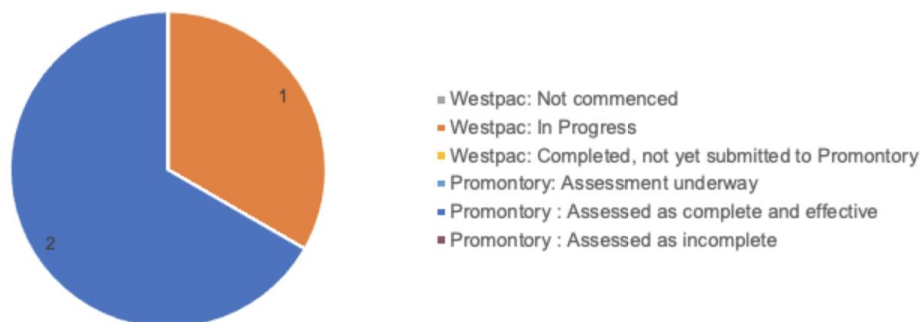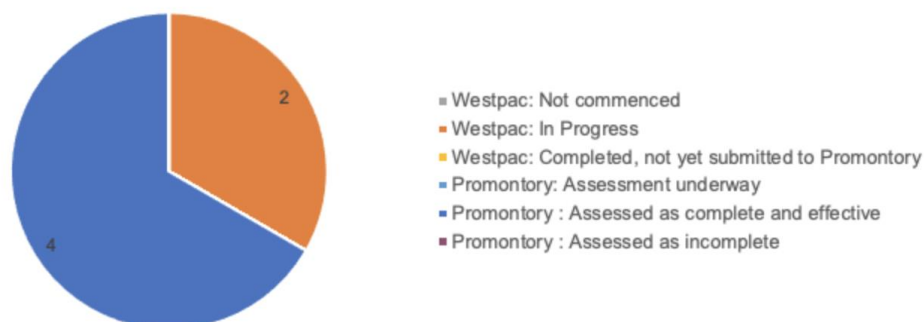
Figure 4.19: WS19 Activity Status

Table 4.20: WS19 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
19.1	Liquidity Risk governance	2	3
19.2	Capital Adequacy Risk governance	2	3
	Total	**4**	**6**

Assessment of Deliverable 19.1

Deliverable 19.1 requires Westpac to review and enhance the Liquidity Risk Framework and practices with particular focus on: controls for compliance with Prudential Standards and Reporting Standards, external reporting, and alignment with the RMF and 3LoD model.

Activity 19.1.2

Implement Activity 19.1.2 requires several changes to Westpac's governance of Liquidity Risk to be implemented, including:

- the revised Liquidity Risk Management Framework;

- improvements to compliance plans, prudential returns and the 3LoD Model for liquidity risk;

- monitoring and reporting for liquidity risk-related Prudential Standard compliance; and

- improvements against the updated Prudential Obligations Framework.

As there is significant overlap between Activity 19.1.2 and the work done under the APS 210 Remediation Program, over which assurance has already been provided, the scope of our assurance is limited to the onboarding of liquidity risk Critical Data Elements (CDEs) and improvements against the updated Prudential Obligations Framework.

Work was completed by the Workstream included:

- onboarding of liquidity CDEs; and

- inclusion of mapping to the APRA Prudential Reporting Standards in the Prudential Mandate Library.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the status of mapping between controls and new obligations.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac had taken appropriate steps to onboard the liquidity CDEs and make improvements against the updated Prudential Obligations Framework.

Assessment of Deliverable 19.2

Deliverable 19.2 requires Westpac to review and enhance the Capital Adequacy Risk Framework and practices with particular focus on: controls for compliance with Prudential Standards and Reporting Standards, external reporting, and alignment with the RMF and 3LoD model.

Activity 19.2.2

Implement Activity 19.2.2 requires several changes to Westpac's governance of Capital Adequacy Risk to be implemented, including:

- the revised Capital Adequacy Risk Management Framework;

- improvements to compliance plans, prudential returns and the 3LoD Model for capital adequacy risk;

- monitoring and reporting for capital adequacy risk-related Prudential Standard compliance; and

- improvements against the updated Prudential Obligations Framework.

Significant work was completed by the Workstream to implement revised frameworks and processes in accordance with the above areas, including:

- roll-out of the Capital Adequacy Risk Management Framework;

- uplift of controls and review by second line;

- delivery of an enhanced regulatory reporting control structure;

- onboarding of capital Critical Data Elements; and

- inclusion of mapping to the APRA Prudential Reporting Standards in the Prudential Mandate Library.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding in scope prudential and reporting standards, the application of the Capital Adequacy Risk Management Framework within WNZL, the relationship between and work under this Activity, and the effectiveness of the capital adequacy risk management control environment.

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 uplift its capital adequacy risk governance in accordance with the above.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 19.2, we will consider, among other things, Westpac's progress in address issues identified by APRA in relation to its stress testing practices.

Promontory Australia, a business unit of IBM Consulting
Level 17, 259 George Street | Sydney, NSW, 2000
+61 2 9478 8888 | promontory.com

PROMONTORY
IBM Consulting