



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

Prepared by Promontory Australia, a business unit of IBM Consulting

Ninth Report

3 May 2023

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

3 May 2023

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

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

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

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Abbreviations & Definitions

Abbreviation	Definition
3LoD	Three Lines of Defence
Activity	Each Deliverable in the Integrated Plan is comprised of a number of Activities, classified as either a ‘Design’, ‘Implement’ or ‘Embed’ Activity
APRA	The Australian Prudential Regulation Authority
BAU	Business As Usual
BCM	Business Control and Monitoring
BLRCC	Board Legal, Regulatory and Compliance Committee
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	Corporate Services and Technology
CTO	Chief Transformation Officer
DCRO	Divisional Chief Risk Officer
Deficiencies	Westpac’s risk governance shortcomings as set out in the Deficiencies Register

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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
DIL Forum	Divisional Implementation Leads Forum
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, or 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
Package	Westpac’s delivery mechanism that groups Activities in the Integrated Plan over a coming 90-day period to create a consolidated view of Divisional change requirements over that period
PIR	Post Implementation Review
Program Deliverable Metrics	A set of Deliverable-level metrics in the Integrated Plan used to consider progress against the Target State for CORE

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Abbreviation	Definition
	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
RAID	Risks, Assumptions, Issues and Dependencies
RAS	Risk Appetite Statement
RCMSA	Risk Culture Maturity Self-Assessment
RMF	Risk Management Framework
Reporting Date	31 December 2022
Reporting Period	This Report covers the period from 1 January 2023 to 31 March 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
TOR	Terms of Reference
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 eight reports on Westpac's response to the enforceable undertaking. As with our previous reports, this report, our ninth, 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 January 2023 to 31 March 2023. The status of the program is reported as at 31 March 2023.

Program Progress and Status

The remediation plan is made up of 353 separate design, implement, or embed activities.

Westpac's progress has been significant, having now fully completed work under the design phase and submitting all activities to Promontory for assessment. All 120 design activities have been assessed as complete and effective.

Implementation is well advanced. From a total of 143 implement activities, Westpac has submitted 131 to Promontory for assessment, and 116 activities have been assessed as complete and effective.

Westpac has submitted 41 (of a total of 90) embed activities for assessment with Promontory assessing 28 as complete and effective, demonstrating continued progress with operationalisation of the uplift measures.

Westpac is well into final phase of CORE, which involves the most complex requirements for the program's delivery, with multiple activities converging, competing priorities and challenges needing to be addressed. Active risk management during this period is critical. In our last report we signalled that at this crucial juncture, Westpac should reflect on what remains to be completed and to critically evaluate whether the planned timeframe to complete this work

remains appropriate, taking into account the importance of sustainable and effective outcomes. During this reporting period, Westpac embarked on this evaluation which is well advanced. The outcomes will be critical to ensuring that all stakeholders in the Program, including the Board, are fully aware of the level of commitment required to successfully deliver the outcomes within the anticipated timeframe.

Program developments

The program saw several key developments over the course of this reporting period, with a particular focus on reviews and reflections on key aspects. Principal among them were the six-monthly review and the successful reassessment of one activity previously assessed as incomplete. The six-monthly review provided an opportunity to assess whether the bank is effectively executing the required risk governance uplift, and to look forward at what remains to be delivered. This involved using several key inputs including a survey across the bank to gauge how individuals considered the bank's progress against its target states. Collectively, these events demonstrate in very practical ways, the bank's evolving maturity and its willingness to critically self-reflect and to develop actions to resolve issues which arise. This willingness to reflect, admit mistakes, learn and improve is a vital part of effective ongoing risk governance.

This reporting period was also the first full quarter that Westpac operated under its refreshed purpose statement, '*Creating better futures together*' which was approved by the Board late in 2022. Informed by research among leaders, employees and customers, this purpose is intended to steer Westpac's strategy, values and behaviours. Westpac's purpose refresh is significant as it articulates what the bank is ultimately seeking to achieve, and it is expected that this should align with the work being conducted as part of the CORE program. Promontory observed the bank undertaking efforts to link this purpose to better risk management and to ensure it is embedded within policies, processes and practices. This will be important in continuing to reinforce the ultimate destination the bank is seeing to reach, in significant part through the CORE program.

Promontory observed that constructive challenge and oversight through key governance forums continues to improve. In particular, we observed robust discussion and reflection on issues which have caused ongoing challenge in two key workstreams - transformation capability and delivery (WS7) and risk culture (WS3). These workstreams will require continued close monitoring. More generally, transparent reporting and a willingness to surface issues early will be critical in enabling the governance forums to provide robust challenge and an appropriate steer where required.

Constructive use of status reporting continued to improve during this reporting period, with robust discussion of issues with amber and red ratings. Promontory observed an increasing recognition that status reporting is an important tool to raise, discuss and respond to challenges. This was demonstrated by the program's overall health status moving to red during the month of February, reflecting among other things, the challenges associated with parts of the bank's cultural transformation work. It is not unusual for large transformation

programs of this nature to move between red, amber and green ratings at various stages of delivery. For Westpac, this elevated status demonstrates a continued and conscious shift away from the perception of a 'good news' bias and is increasingly important at this stage of the program where there is a need to surface issues promptly so they can be resolved. This highlighting of risks and issues through effective status reporting has helped Westpac in formulating on a robust response to the factors and issues underlying the red rating.

In this context, Promontory notes the status reporting for resourcing at the program level remained green during this reporting period. Nonetheless, there will be a need to closely monitor and assess the capacity and depth of capability to deliver on the program as a whole within the intended timeframe. As the program enters its final key phase, there is an increased risk of change fatigue and strain on existing resources. Westpac's leaders must continue to monitor closely for change fatigue and attrition, particularly where the timing of execution means that responsibility for delivery falls heavily on particular leaders or their teams.

Focus areas

Westpac's momentum in implementing and embedding uplift measures under the program was maintained during the reporting period. The sustained energy and focus are delivering tangible improvements to the bank's risk management practices. The solid progress has not been without its challenges, which assume increased significance as the program enters its latter phase. These challenges are not unfamiliar to the bank, and it is not surprising that areas such as 'staying the course', the need for consistent execution and early escalation of issues continue to require focus.

Review and Continuous Improvement

As noted above, Promontory has observed a greater willingness during this reporting period to acknowledge issues and a shift away from framing such challenges with a 'good news bias'. Whilst there are opportunities to improve in this regard, we observed positive signs that Westpac's approach is maturing and there is a desire to acknowledge deficiencies where they exist. This was demonstrated through key reflection initiatives during the reporting period such as the causal analysis to understand the drivers behind previous incomplete assessments, critical reflection during the six-monthly review process, and importantly the engagement of an external third party to reflect on deficiencies with implementation of parts of the risk culture initiatives.

This openness to learning from issues and acknowledging mistakes is a powerful tool for Westpac in conveying the message that 'speaking up' is genuinely encouraged. The sharing of lessons also helps to reinforce that everyone in the organisation understands that they have a role to play in managing risks. Westpac should consider how to ensure that this ability to review and learn operates in a timely and effective manner over the latter part of the Program.

Cultural Transformation

In our previous reports we have noted that delivering cultural transformation and driving changes to behaviours and actions is challenging but will be the cornerstone to delivering enduring uplift. Recognising that important components of the cultural transformation work were not where they needed to be, Westpac engaged an external third party to help determine the roadblocks and recommend ways forward. A detailed plan has been developed by Westpac to course correct identified deficiencies in response to recommendations. Enhanced governance and collaboration with stakeholders, in particular middle managers, will need to remain at the centre of all actions moving forward. Westpac must continue to recognise that middle managers will be the advocates required to drive changes across the bank, particularly given this work will endure beyond the program timelines. Thus, the involvement of middle management should be championed at every opportunity.

Balancing Quality and Timeliness

Promontory observed proactive and decisive efforts by Westpac over the reporting period to balance the tension between quality and timeliness, which remains a risk for the duration of the program. The bank's commitment to quality has been strongly demonstrated through the extension of timeframes for multiple activities to facilitate effective delivery. However, this has contributed to a concentration of deliverables due in the last six months of the program. Westpac will need to closely monitor these extended timelines to ensure that they properly manage any risks to quality outcomes during the final months of the program. Communication strategies and reinforcement through senior management on the overarching commitment to quality will serve as key tools. Where issues arise or additional time is needed for activities, this should continue to be surfaced as soon as practicable and transparently, so that targeted actions can be promptly taken.

Three Lines of Defence

Westpac's challenges relating to the implementation of its three lines of defence model was a focus of our seventh and eighth reports. In recognition of persistent challenges, a roundtable forum was initiated in the latter half of 2022 bringing together key stakeholders across the three lines. This forum has served as a catalyst for significant amount of work, with a clear narrative and target state having been developed and this has formed the basis of a robust communication strategy around risk management. The importance of meaningfully engaging middle management as key contributors for ensuring sustained change has also been recognised.

Whilst sound progress has been made, there is still a significant pathway ahead to ensure that plans and frameworks are evidenced through consistent behaviours and actions, and responsibilities must be consistently carried out by those accountable for them. Westpac will need to continue to build capability across Lines 1 and 2 and this should not stop once the program comes to an end. Over the coming period, continued collaboration and oversight of Westpac's key senior stakeholders across the three lines will be an important factor in ensuring sustainability of the model's implementation.

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.¹ For each Workstream, Westpac sets

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

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

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

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

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

1.4. Promontory's Approach

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

Our role as independent reviewer includes:

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

1.4.1. Assessing Effectiveness

Our role as independent reviewer includes assessing the effectiveness of Westpac's delivery of Design, Implement, and Embed Activities. 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, our assessments focus on whether:

- the Activity Closure Criteria have been met; and
- there is evidence of a sound basis for sustainably achieving the Deliverable's Target State.

For Implement Activities, our assessments focus on whether:

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

For Embed Activities, our assessments focus on whether:

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

Our role as an independent reviewer also includes assessing the effectiveness of Westpac's 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 eight reports on Westpac's response to the EU, since March 2021, with this being Promontory's ninth report (**Ninth Report** or **Report**). This Report covers the period from 1 January 2023 to 31 March 2023 (**Reporting Period**). The status of the Program is reported as at 31 March 2023 (**Reporting Date**).

1.5. Report Structure

The remainder of this Report is structured as follows:

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

2. Program Progress

The Integrated Plan is made up of 353 separate Design, Implement or Embed Activities. These Activities are grouped into 83 Deliverables which make up 19 Workstreams. As at the Reporting Date, Westpac had delivered Closure Packs for 292 Activities to Promontory.

The Program has completed all of the Design Activities. As at the Reporting Date, of 120 Design Activities:

- Westpac had submitted Closure Packs for all 120 Activities to Promontory.
- Promontory had assessed all 120 Activities as complete and effective.

The Program continued its work on Implement Activities during the Reporting Period. As at the Reporting Date, of 143 Implement Activities:

- Westpac had submitted Closure Packs for 131 Activities to Promontory.
- Promontory had assessed a total of 116 Activities as complete and effective.
- Promontory had assessed three Activities as incomplete. Of these, during the Reporting Period, two were reassessed following further action by Westpac as complete and effective, so one Activity remains incomplete.²
- We had not yet completed our assessment of 14 Activities.

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

- Westpac had submitted Closure Packs for 41 Activities to Promontory.
- Promontory had assessed a total of 28 Activities as complete and effective.
- We had not yet completed our assessment of 13 Activities.

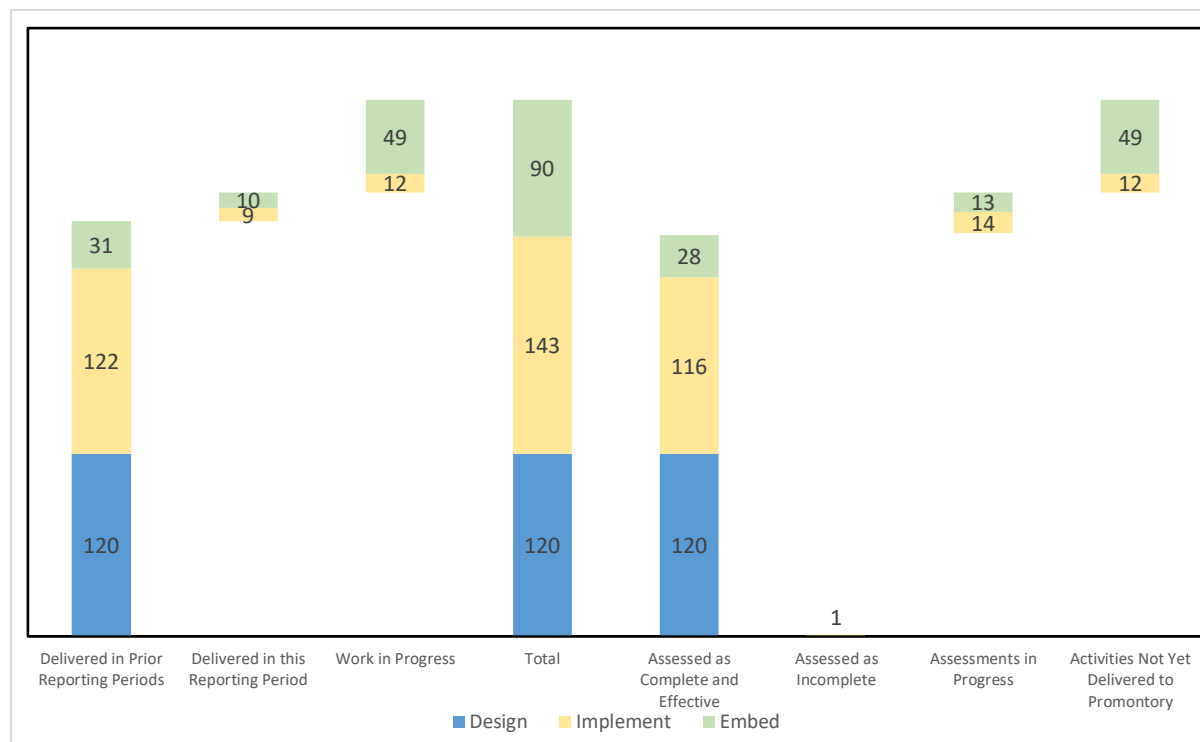
The Program began to progress its work on Deliverables during the Reporting Period. As at the Reporting Date, of the 83 Deliverables:

- Westpac had submitted Closure Packs for 36 Deliverables.
- Promontory had closed 20 Deliverables.
- We had not yet completed our assessment of 16 Deliverables.

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

² See section 5.4.1

Figure 2.1: Program progress



Of the 265 Activities³ closed by Promontory, assessments of 27 Activities were completed during the Reporting Period. This consisted of one Design Activity, 15 Implement Activities and 11 Embed Activities. Promontory also assessed 11 Deliverables as closed. Further information on the assessment of these Activities is provided in Chapter 5.

Progress by Workstream as at the Reporting Date is set out in Table 2.1.

³ This includes one Activity which has been assessed as ‘incomplete’. Three Activities which were originally assessed as ‘incomplete’ have subsequently been reassessed and closed as ‘complete and effective’.

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Table 2.1 Activity Progress by Workstream

WS	Activities with Westpac			Activities Submitted to Promontory			Total
	Work Not Commenced	Work in Progress	Completed but not yet Submitted to Promontory	Assessment Underway	Assessed as Complete and Effective	Assessed as Incomplete	
1	1	2	2	0	25	0	30
2	0	0	1	1	13	0	15
3	0	6	0	1	18	0	25
4	0	0	1	1	19	0	21
5	0	0	0	0	17	0	17
6	0	6	1	5	25	0	37
7	1	7	0	0	24	1	33
8	0	4	1	4	24	0	33
9	1	4	3	0	6	0	14
10	0	5	0	5	31	0	41
11	0	1	1	0	1	0	3
12	0	0	1	1	10	0	12
13	0	2	2	2	10	0	16
14	0	0	0	0	18	0	18
15	0	0	1	3	10	0	14
16	0	2	0	1	8	0	11
17	0	2	0	1	1	0	4
18	0	1	0	0	2	0	3
19	0	2	0	2	2	0	6
TOTAL	3	44	14	27	264	1	353

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

3 May 2023

Table 2.2 Deliverable Progress by Workstream

WS	Deliverables with Westpac		Deliverables Submitted to Promontory			Total
	Work in progress	Completed but not yet submitted to Promontory	Assessment Underway	Assessed as Complete and Effective	Assessed as Incomplete	
1	2	2	0	5	0	9
2	0	1	1	3	0	5
3	3	0	1	0	0	4
4	0	1	3	0	0	4
5	0	0	0	3	0	3
6	6	0	1	1	0	8
7	7	0	0	0	0	7
8	4	1	1	2	0	8
9	4	0	0	0	0	4
10	4	0	3	0	0	7
11	1	0	0	0	0	1
12	0	1	1	2	0	4
13	2	1	1	0	0	4
14	0	0	0	4	0	4
15	0	1	3	0	0	4
16	2	0	1	0	0	3
17	1	0	0	0	0	1
18	1	0	0	0	0	1
19	2	0	0	0	0	2
TOTAL	40	8	15	20	0	83

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

3 May 2023

The Program's overall health status was reported by Westpac as Red in the March Steerco⁴ (for the period up to the end of February 2023).⁵ This is a deterioration from Amber reported in the previous Reporting Period. This was due to challenges reported by WS3 and WS7 and the risk to delivery timeframes due to date extensions, the concentration of delivery in the second half of this year, and complexities associated with demonstrating sustainable embedment. The recognition of these challenges and transparency in moving the Program to a 'Red' rating demonstrates significant improvement in the Bank's maturity in identifying and raising risks.

A high-rated risk was raised in December and refined during the Reporting Period, regarding the ability to demonstrate effective implementation and embedment of all Workstream Deliverables by December 2023.

In addition, the status of WS3 and WS7 were reported as Red at the March SteerCo (for the period up to the end of February 2023). The commentary relating to the status of WS3 noted the ongoing work to address the recommendations arising from an external review of WS3 and potential delivery impacts to the Plan. Despite these challenges, Promontory notes that significant progress has been made in work relating to culture to date. A total of 92 of the 115 Culture and Capability Theme Activities have been assessed as complete and effective to date. There has been significant uplift in a number of frameworks, policies, and processes, however the work which lies ahead in bringing this together will be critical to ensuring that the changes are sustained over time. Westpac is working to progress plans to move the status of these Workstreams out of Red.

The status of WS7 was driven by the outstanding approval of the Transformation Policy and Standards, which were the subject of a previous incomplete assessment by Promontory (Activity 7.3.2). We understand that a revised Transformation Policy has been approved and was released in March 2023. Westpac is currently working to provide a Promontory with additional information to support the reassessment of this Activity.

Using status reporting to identify areas of risk is a key part of effective program governance. This will help ensure that the challenges receive appropriate and timely attention, discussion, and challenge at governing committees to support issues being addressed (see section 3.3.2).

⁴ Westpac has indicated that the Program has now moved to an Amber status, this will be discussed in Promontory's next Report.

⁵ The Red Amber Green 'RAG' process is an internal Westpac Program Management tool, which reflects the identification and resolution of issues. This is assessed on a monthly basis.

3. Program Developments

3.1. Overview

The Program saw several key developments over the course of this Reporting Period including the Six-Monthly Review (**6MR**) and the reassessment of previous incomplete assessments as 'complete and effective'. Collectively, these events demonstrate the Bank's evolving maturity in risk governance and its willingness to reflect on challenges and to take actions to effectively remediate issues which arise.

This is also the first full quarter in which Westpac has operated under its refreshed purpose, 'Creating better futures together', which was approved in December of last year. Promontory has observed a significant volume of work and a strong campaign to share the new purpose across the Bank, and to ensure that relevant processes, policies and practices are updated. This has included communications designed to reinforce the foundations of the Bank's risk management and to drive staff purpose and connection to good risk practices.

These developments are discussed in further detail below.

3.1.1. Six Monthly Review

During this Reporting Period, Westpac completed its third 6MR of the Program. Westpac undertakes a formal review of the CORE Program every six months to reflect on whether it is effectively executing the Integrated Plan and sustainably achieving the required risk governance uplift. Key inputs into the process include feedback and observations from both internal and external stakeholders.

The third 6MR served as a critical reflection point for the Bank to assess progress to date and inform and set realistic expectations for the year ahead. This involved a significant set of activities, including a leadership event hosted by the CEO with over 50 leaders from across the Bank. The primary objective of this event was to evaluate whether the Bank is observing tangible uplifts to the level expected and in light of what has been delivered as part of the Program to date, as well as looking forward to what will be delivered over the next 12 months.

The Bank's assessment involved consideration of a range of inputs including:

- a quantitative summary of achievements delivered as part of the CORE Program in the last 12 months, such as metrics on completion of Activities, Outcome Measures, RAG status reporting and CRPs;
- external feedback from APRA and Promontory on areas of focus;
- internal feedback from BRiskC, SteerCo, and the CGF;
- outcomes of the Material Matters process from November 2022; and

- learnings from incomplete assessments and near misses.

A key element of the reflection process during the review was a survey conducted with attendees of the 6MR session, where leaders were asked to rate progress against the five target states⁶ on a 10-point scale. At the 6MR event four of the five target states were rated as six, with the final target state rated as five. The responses demonstrated a willingness to be realistic and recognise that significant work still lies ahead, while acknowledging that progress has been made. Attendees acknowledged the need to have a greater focus on behaviours, embed risk culture across all levels of management, and intensify communication across the organisation on the ultimate 'end goal'.

Following the review, leaders were asked to conduct the same activity within their teams to gauge how individuals considered the Bank's progress against the target states and subsequently lead a reflection discussion to consider what is required to meet the target states. To date, 27 leaders have led these activities with their teams with a total of 462 respondents across the organisation participating.

This work demonstrated that some staff within the organisation have not fully appreciated the overall objectives that the Bank is seeking to deliver through the CORE Program and 'what success looks like', instead focusing on the work as discrete parts through particular Activities and Deliverables. A key action Westpac is taking forward is to consider how to pivot the communication strategy to promote an improved understanding of the bigger picture of what is being delivered, and increased recognition that this will involve a shift to the way of working even as the Program comes to an end. Westpac is also considering how to take forward this discussion and some of the insights gained from this session for the next 6MR review scheduled in September 2023.

3.1.2. Incomplete Assessments

In the last Reporting Period, Promontory issued two 'incomplete' assessments for Activities 7.3.2 and 7.6.5 which relate to Westpac's Transformation Governance and Delivery Standards and Risk in Change practices respectively.

Significant progress has been made during this Reporting Period to remediate the issues which were identified within each of these Activities. This includes conducting a Post-Implementation-Review and Root Cause Analysis to identify the drivers which led to these two incomplete assessments and apply corrective actions. Key findings in relation to these Activities included:

- inadequate and ineffective governance over execution;
- lack of capacity and capability;

⁶ 'We are a well-run business where risk is actively managed', 'A simplified organisational construct with clear accountabilities', 'Three lines of Defence are well understood and embedded', 'Our people understand risks and proactively manage them', 'We're known for execution excellence and getting it done'.

- delayed and challenging stakeholder engagement;
- ineffective planning, scheduling and timing issues; and
- lack of quality in RAID management for the Workstream.

Several actions have been put in place to address these challenges, and remediate the deficiencies identified within the respective Activities. This led to 7.6.5 being subsequently reassessed as complete and effective during the Reporting Period.

It is positive to see Westpac take proactive action to identify, address, and resolve issues. Unsurprisingly, several of the issues identified as part of this root cause analysis are similar to those identified as part of the broader causal analysis undertaken in the last Reporting Period. This highlights the criticality of the actions taken to address the root causes identified in the analysis, and the importance of ensuring there are effective mechanisms to share learnings across the organisation. It is also important that there is clear ownership and accountability for actions to address issues.

3.1.3. Westpac's Purpose Refresh

During the last Reporting Period, Westpac's Board approved the refreshed Westpac Group Purpose statement; '*Creating better futures together*' and supporting narrative. Westpac's purpose is intended to steer its strategy, values, and behaviours. This replaced the previous purpose '*Helping Australians and New Zealanders to succeed*' and is viewed as better aligning with Westpac's refreshed organisational strategy. The new purpose is informed by research among leaders, employees, and customers.

This is the first full Reporting Period since the revised purpose was approved. Promontory has observed the Bank undertake a significant amount of activity to share the new purpose and ensure it is embedded within existing policies, processes, and practices. As part of this, Westpac has launched a purpose refresh campaign with a raft of communications issued to support Westpac's new purpose and reinforce the foundations of the Bank's risk management (discussed further in section 3.5). Westpac has also conducted a review of its current behavioural frameworks to simplify behavioural expectations, and this will be launched in the next Reporting Period.

Westpac's purpose is important in ensuring that staff understand and connect with their everyday work and is also currently being embedded within each Division, LoB, and Function by aligning to the 'priorities' and 'foundations' underpinned by Westpac's Purpose, Values, and Behaviours.

3.2. Board Oversight

3.2.1. Board Committees

During the Reporting Period, Board oversight occurred primarily through the BRiskC where, among other things, the Board discusses updates and reporting on the CORE Program. Promontory observed selected agenda items across one BRiskC meeting during the Reporting Period, which elicited discussion and considerations of various risks, progress against risks and progress of the Program overall.

Agenda items directly relating to the Program during the Reporting Period included:

- the CORE Report, including a discussion on Promontory’s Eighth Report;
- a deep dive relating to Assurance (WS11); and
- a deep dive relating to Non-Financial Risk Reporting and JUNO Functionality (WS9).

During this Reporting Period, a new chair assumed responsibility for the BRiskC. Promontory met with the Chair in January and February to discuss risk governance and the committee’s oversight of the execution of the Plan.

Until completion of the Program, Promontory will continue to observe relevant BRiskC discussions on the progress of the transformation and management of Program risks.

3.2.2. Director Touchpoints

During the Reporting Period, Westpac conducted two Director Touchpoints, as outlined in Table 3.1 below, both of which were observed by Promontory. Each Director Touchpoint was attended by one or two Directors and provided an opportunity for them to obtain deeper insights into a particular Division or Workstream and to provide challenge on the execution of aspects of the Program and Divisional execution.

Table 3.1 Director Touchpoint sessions observed by Promontory

Director Touchpoints	Date
Westpac Institutional Banking (WIB)	28 February 2023
Consumer and Business Banking (CBB)	15 February 2023

Promontory continued to observe constructive challenge and discussion from the Directors on progress, risks, and outlook.

Themes which emerged during the discussions included:

- The progress on control automation and optimisation – in particular reducing the volume of manual controls.
- The work underway on risk culture (WS3) and extent of risk culture uplift within Divisions.

- Discussion around measures which assess progress towards achieving the overall objectives of the Program (**Outcome Measures**) and understanding the underlying drivers in reporting Red, Amber, or Green (**RAG**) status ratings.

In the final year of the Program, a strong tone from the Board including consistent and constructive challenge of management on key risk issues is important. The Director Touchpoints provide an opportunity to engage on these sorts of issues.

3.3. Program Governance Arrangements

3.3.1. Governance Forums

Promontory continued to observe the main governance forums, including the SteerCo and the CORE GM Governance Forum (**CGF**).

The discussions at both the SteerCo and CGF continued to reflect improvement in the maturity and transparency within the organisation. The forums operated as effective mechanisms and interacted well in order to surface and discuss challenges with relevant stakeholders and to explore how these challenges will be managed.

The CGF plays a key role in discussing issues and actions relating to specific workstreams and activities. During this Reporting Period, the CGF generated robust discussion and challenge in relation to WS7 and WS3 in particular and led to direct feedback being provided from Divisions to Workstreams to assist in the remediation of issues. The SteerCo continued to operate as a forum to consider a top down view of the Program, with discussion and oversight of thematic issues and whether the Program as a whole is operating and delivering the changes intended.

The CGF has matured since its inception and the roles and interaction between these forums has continued to improve and are now working well. It is evident that the right information is being provided to stakeholders to enable them to oversee and challenge the progress of the Program, at the various governance forums, to ensure the right outcomes are being achieved.

3.3.2. Status Reporting

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

Promontory continued to observe improvement in the use of status reporting as a mechanism to recognise and elevate issues and risks. This is reflected in the movement of the Program to a Red status in the March SteerCo (for the period up to the end of February 2023), in recognition of the challenges reported in WS3 and WS7 and risk to delivery timeframes.

Both Red and Amber rated items continued to receive appropriate attention and discussion in governance forums, with a balanced focus on both understanding the drivers of the issues

and looking ahead at the plan and actions in place to address challenges. This has led to robust discussions in relation to the challenges in WS3 and WS7, and actions being taken to continue to progress the remediation of issues.

Promontory continues to see an improvement in the attitude towards the use of 'Red' ratings and transparency in status reporting. There has been a shift away from an avoidance of Red and Amber ratings, and an increasing recognition that status reporting is an important tool to raise, discuss, and respond to challenges. This demonstrates a continued and conscious shift away from a perception of a 'good news bias' in reporting and is particularly important at this stage of the Program, where there is a need to surface issues early so that they can be remediated in a timely manner, without compromising the overall Plan and timelines.

3.4. Risk and Group Audit Reviews

3.4.1. Risk Review

During the Reporting Period, Line 2 maintained its oversight over Program execution and the transition to BAU. In our Sixth Report, we noted the evolution of Line 2's approach away from overseeing specific Workstreams to a more holistic focus on delivery of the Program within Divisions and across the Group as a whole. This was intended to reflect the stage of the Program at that time.

As the Program moves increasingly into embedment, Line 2 is again evolving and shifting its attention to elements required to achieve the five Program Target States. As part of this, Line 2 has identified specific areas which will require effort within each of the Program Root Causes in order to achieve their respective Target States. Areas identified include continuing to monitor the transition of risk and control assessments to Line 1, activation of middle management, continuing on 3LoD embedment, strengthening root cause analysis and sharing of learnings. This should provide Line 2 with greater focus on targeted areas where monitoring is required.

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

- The accuracy and use of status reporting, such as continuing to read across Workstream and Divisional ratings to identify inconsistencies, as well as ensuring that issues and risks identified are reflected in ratings and called out in the appropriate forums.
- Six-Monthly Review (**Six-Monthly Review** or **6MR**) reflections with the Divisional CROs (**dCROs**), Consumer and Business Banking (**CBB**), Westpac Institutional Bank (**WIB**), Customer Services and Technology (**CST**), Specialist Business Division (**SBD**), and Group Functions and Corporate Services.
- Challenging the work underway on Risk Culture in WS3 and the newly developed governance model, the Transformation Policy and Standard updates on WS7 and Conduct Risk Engagement and Reporting established as part of WS13

- 3LoD roundtable leadership groups and attendance by dCROs.
- Review of Program Risks, Assumptions, Issues and Dependencies (**RAID**), and Transformation Workstream governance, for managing risks and issues.

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

- Managing the transition away from a focus on CORE to BAU while remaining focused on what remains to be completed and the road ahead.
- Ensuring visibility and monitoring of action plans and caveats from across the Program through the appropriate governance forums.
- Monitoring Divisional confidence to meet expectations and ensuring this is based on the ability to evidence outcomes and proof-points.
- Managing the ongoing risk of underperformance or quality issues to original Program timeframes. This involves ensuring complete clarity within Workstreams on what they need to do to enable Divisions to embed.

3.4.2. Group Audit Review

During the Reporting Period, Group Audit finalised its fifth biannual CORE Program Review Report. This review provides Group Audit's observations on the design and operating effectiveness of the delivery processes and controls in the Program, outlined below. The last report was issued in Q4 FY22 and concluded that there were adequate oversight processes in place.

The scope of the fifth review focused on delivery controls of the CORE Program related to:

- transition to BAU;
- change and RAID management;
- operating effectiveness of the revised oversight structure;
- post implementation review; and
- progress to remediate issues related to Delivered Risk Management.

Group Audit concluded that there were adequate oversight processes in place and rated management control as 'effective'. This was driven by findings that the Program has adequate controls to support transition to BAU, change management, and management of Divisional risks and issues through the Package process. Audit also found that the revised oversight structure which consolidates oversight across Workstreams and Divisions adequately monitors progress, makes decisions and clears roadblocks for Divisions and Workstreams.

The Report also identified a number of key risks being monitored by the Program which could compromise outcomes if not managed effectively. These include:

- the need to focus on effective, consistent, and sustainable embedment;
- sharing learnings from the root causes from previous incomplete assessments;
- risks relating to resourcing and capacity in the context of change fatigue; and
- effective embedment of risk culture across the Group.

Audit has set out several recommendations to ensure the ongoing effective management of these risks.

Promontory continued to meet with Group Audit monthly over the Reporting Period to discuss their reviews relevant to the Program and to obtain their observations on Program Governance. Group Audit delivered nine reports during the Reporting Period that were relevant to the CORE Program, covering a range of areas across several Workstreams. Group Audit's views on the effectiveness of management controls and CORE Program oversight is shared by Promontory, and the identification of key risks is consistent with Promontory's view.

3.4.3. Funding

Reporting on Program financials continued to be provided to the SteerCo. Promontory observes that funding continues to be appropriately managed and Westpac remains aware of the importance of adequate funding.

During the Reporting Period, Westpac's high-rated risk that the cost reset may result in an inability to meet CORE commitments was consolidated into a new risk, together with a number of other risks relating to funding. The new risk relates to the negative impact of resource continuity on delivery and achievement of target states and sustainable business outcomes. This acknowledges that there is a risk that the remaining items to be delivered via the CORE Program may not be fully met and embedded in the business to achieve the Target States.

This change reflects a shift in the nature of the risk, which is now centred on resource continuity with funding being only one element of this risk. This also reflects that many of the required actions to close the risk relating to the cost reset have now been taken. This includes confirmation that Workstreams received adequate allocation within their FY23 budget to meet the requirements of CORE execution through the embed phase.. Action plans have been developed to address the new risk.

3.4.4. Resourcing

The overall Program health status for resourcing remained Green during this Reporting Period. Resourcing challenges are still being reported across two Workstreams (WS3 and WS17), which is consistent with the previous Reporting Period. There were no Divisions reporting resourcing issues as at the March SteerCo.

Although the health status for resourcing has remained Green, there is still the need to continue to assess capacity and capability to deliver on the Program as a whole within the intended timeframe.

There is a new Program risk which has been created relating to resourcing around the potential for CORE team and key Workstream owner attrition before Program completion. It will be important for Westpac to continue to manage and watch this closely as the Program nears completion. This is currently a medium rated risk and an Action Plan is in place to apply appropriate retention strategies to minimise the impact.

3.5. Communications and Change

Communications continue to play an important role in the Program, with a continued focus on supporting risk culture and behavioural change.

During the Reporting Period, there was a drive to reinforce proactive risk management and learning from mistakes and challenges. There was also an intensified communications approach to support the implementation of the 3LoD. As part of this, the following communication strategic initiatives were delivered during the Reporting Period:

- Purpose Refresh Campaign – Several platforms were used to support this initiative and link this to staff's day to day work and the foundations of the Bank's risk management. This includes an email and video from the CEO describing what the purpose means in practice, a discussion at the General Manager (**GM**) Culture Day, and an activity during a People Leaders Forum which involved teams and individuals identifying how their role connects with the revised purpose.
- People Leaders Forum – bringing together almost 2500 GM2-5s, with a strong focus on learning from mistakes and proactive risk management. This involved a Q&A session with Group Executives where they covered examples of mistakes and lessons learned.
- 3LoD campaign – communications to drive an understanding of the 3LoD model. A clear approach to communications has been developed to support the implementation of the revised 3LoD model. A single page 3LoD reference guide has been developed, People Leader Guides have been updated, and a short video has been prepared to clearly and succinctly articulate responsibilities across the three lines. This work is continuing to progress with training being updated and materials for new starters being prepared. There is also a focus on leveraging existing communication channels to improve awareness and celebrating good examples of the 3LoD effectively operating in practice through 'Great Employee Moments' (**GEM**) nominations and risk award programs.

Looking ahead, Westpac has signalled it intends to intensify work in directly engaging the GM1-5 'middle management cohort', in recognition of the importance of their role in driving sustained change. This includes roadshows for the middle management cohort which are similar in nature to previous forums established for GMs and GM1s.

While communications continue to play a significant role in supporting the work being completed as part of CORE, it is important that this is met with a shift in behaviours in practice and ongoing tone from the top on risk behaviours to drive change. This was highlighted through feedback received in relation to the People Leaders’ forum. This included both positive perspectives on the transparency from leaders in speaking about their past mistakes and learnings, together with feedback that some of the messages were inconsistent with the behaviours observed in practice.

This mix of responses, especially from middle management levels, is to be expected in organisations undergoing transformational change, but the drivers behind their responses need to be understood and addressed. Communications play an important role, however this must be balanced with practical actions, tools, accountability and a strong tone from the top which convinces staff across all levels of the imperative for behavioural change in practice.

3.6. Change Management

3.6.1. Packages

Westpac has used the Package mechanism to execute the Integrated Plan within the Divisions, and to supplement Program-level communications. The last Reporting Period saw the launch of Package 10, with the message anchor of ‘reinforcing proactive risk management and culture – by driving consistent and sustainable behavioural change to more effectively manage risk.’ A summary of the Package message anchors to date is provided in Table 3.2.

Table 3.2 Package Message Anchors

Package number	Message anchor
1	Building a strong foundation.
2	Strengthening risk foundations and culture through enhancing capability, tools and learning.
3	Sharpening our issues management capability.
4	Continuing to master the fundamentals of proactive, hands-on risk management.
5	Strengthening risk disciplines with a focus on obligations, issues and incidents.
6	Lifting our risk disciplines through improved risk management, infrastructure and reporting.
7	Managing the business well – lifting and strengthening risk disciplines.
8	Strengthening risk capability through consistent operating rhythms and practice.
9	Maturing risk capabilities and disciplines through consistent practice to support a well-run business.

10	Reinforcing proactive risk management and culture – by driving consistent and sustainable behavioural change to more effectively manage risk.
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Looking ahead, there will be a significant scale-back of the package process with only two Activities to include in future Packages (excluding WS3 which remains subject to change following a recent external review of the Workstream). This is to be expected at this phase of the Program, where work has largely moved into a focus on operationalisation, embedment, and sustainability of Activities. The package process will continue to be used to oversee execution and closure of packages with the provision of appropriate evidence demonstrating effective implementation and embedment.

3.6.2. Change Control Mechanism

During the Reporting Period, Westpac continued to manage changes in a structured manner within the Program through the change control mechanism. The change control register tracks change requests and includes details such as rationale, impact, records of approvals, and status of the request.

During the Reporting Period:

- Eight new change requests relating to the Integrated Plan were logged in the change control register. These change requests included the extension of Activity and Deliverable timeframes, reassignment of accountable GM Workstream owners, and updates to Target State and Program Deliverable Metrics.
- Nine change requests relating to the Integrated Plan were closed as approved. They included the extension of embedment timeframes for Deliverable 16.1 and Deliverable 13.4, amendments to the Target State and Program Deliverable Metrics for Deliverable 7.4 and evidence requirements for the associated Activity 7.4.3 (assessed as having a ‘major’ impact).

As is expected at this stage of the Program, there has been a continued steady decline in the number of changes logged and approved, with fewer changes relating to the Integrated Plan such as amendments to Activity and Deliverable descriptions. Instead, the majority of changes relate to Deficiencies, reassignment of accountable GM Workstream Owners, and extensions to timeframes in response to challenges.

The change control register continues to be viewed as an important tool to facilitate and ensure appropriate governance, oversight, and challenge of Program changes. Promontory’s observations relating to the impact of change requests to the Program is outlined in Chapter 4.

3.7. 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, 144 were considered Green, 15 were rated Amber and 21 were complete. Total Green rated metrics increased by 12%, which indicates Westpac's assessment of positive progress towards individual Deliverable Target States.

Outcome Measures

As at Q1FY23, over 50% of Outcome Measures achieved their FY23 objectives (where an objective exists) with positive progress on measures relating to customer remediation, data management, and incident management.

There have also been areas identified where further work is required across several measures including in relation to the quality of key controls, Line 1 issue identification and managing out of appetite risk. In circumstances where performance is lacking expectation there are remedial action plans in place. Outcome Measures continue to be used as an important indicator of the progress of the Program and are used alongside other metrics to identify areas where further uplift is required. Perhaps more importantly, maintaining these measures after the Program is complete will be important to ensuring the sustainability of the risk management uplifts that the Program seeks to achieve.

⁷ The remaining two metrics not reported relate to Deliverable 9.4 (due to a newly created technology solution, this is scheduled to report at the end of implementation activities), and Workstream 11 (Q1-23 reporting scheduled for March 2023 in accordance with the Divisional RiskCo).

4. Observations and Focus Areas

During this Reporting Period, Westpac maintained its momentum in implementing and embedding uplift measures under the CORE Program. The ongoing commitment to delivery was apparent, and the focus across the organisation on the Program is delivering tangible improvements in the Bank's risk management practices. Many of these practices are becoming increasingly embedded into the Bank's operating rhythms.

This Reporting Period saw a demonstrable transition further into embedment, with Divisions and Lines of Business (**LoBs**) taking ownership of processes, controls, and risks within their businesses at a much deeper level, heralding a shift away from centralised CORE functions. The integration of improved processes and tools is delivering benefits across the organisation as Westpac continues to build deeper knowledge of its business on an end to end basis and is better able to focus on risks and issues with greater rigour. As this continues to mature, Westpac can expect to see improved outcomes as an organisation, including improved customer outcomes.

The solid progress delivered during the Reporting Period has not been without its challenges. As the Program enters deeper into operationalisation and embedment, arguably the most difficult phase of a transformation program of this type, these challenges take on a greater significance as the window of opportunity to address them narrows. It is critical that expectations and accountabilities are consistently communicated and reinforced through actions and behaviours, assumptions are checked and challenged, and reporting into governance forums is transparent so that challenge and guidance can be provided as early as possible. Most importantly, this must be led by a strong and consistent tone from the top including the Board and Group Executives on the criticality of the Program and the change it is seeking to deliver.

The Program's overall health moved to Red in February, indicating some challenges and risks that must be addressed. We note that it is not unusual for large transformation programs to oscillate between ratings as different issues emerge at different stages. The movement in the rating emphasises the Bank's transparency and willingness to acknowledge challenges and supports a move away from framing issues with a 'good news' bias. Importantly, this transparency provides governing committees with an unclouded basis from which to provide robust challenge and oversight. What is most important now is how the Bank responds to the factors and issues underlying the Red rating. This will be the most meaningful indicator of the Bank's maturity in identifying and managing risks.

Principal amongst the challenges raised during this Reporting Period are those associated with the Bank's cultural transformation, as noted in our previous reports and expanded below. It has always been critical that Westpac's cultural transformation moves in tandem with the uplifts to infrastructure, policies, and processes in order to collectively and sustainably deliver an improved operating model. Following significant reflection, this Reporting Period saw greater candour from Westpac on the challenges it has faced and a clearer articulation of the factors which have prevented it from implementing the desired uplifts to its risk culture. The

Bank is better informed and is developing a clear pathway forward, however, the timeframe to achieve the desired Target State is challenging. Westpac must remain sharply focused on the tasks ahead and meaningfully engage its middle management to help deliver behavioural change.

In our last report, we signalled that the Program was reaching an important juncture with a need to take stock of what remains to be done and consider whether the planned timeframe for completion is appropriate. Recognising the significance of this, Westpac has embarked on a thorough review of its progress and Program timeframes, utilising all available data points to determine whether any adjustments may be required. This work is significantly advanced and as the Bank moves toward reaching a determination, it continues to demonstrate that the overarching objective is to deliver enduring change and to address the root causes of its shortcomings. We expect that this work will culminate in a decision in the next Reporting Period. Promontory will continue to observe as this work progresses through the relevant governance committees for oversight and challenge before any determination is made.

As noted in the introduction to this chapter, the transition to embedment at Westpac is well underway with the Divisions and LoBs continuing to take greater ownership and accountability. As such, the need to 'stay the course' has not diminished, nor has the need to drive consistency of execution and for any challenges to be escalated as transparently and as early as possible. Early escalation of issues or suggested improvements, and the sharing of insights across Workstreams and Divisions will continue to be important tools for Westpac to deliver optimal changes throughout the remaining phase of the Program. Collectively, Westpac's leaders must continue to monitor for the potential impacts of change fatigue, particularly where the timing of execution means that responsibility for delivering on plans may fall heavily on particular leaders and their teams. These risks should be closely overseen so that swift intervention can be actioned where necessary.

The focus areas in this report draw on consistent themes and challenges that we have previously noted. Westpac has responded to these focus areas to date and will need to remain vigilant in its efforts to respond to impacts of these challenges over the coming period of the Program. Transparent reporting, drawing on insights and sharing lessons learnt to date will continue to play a key role, particularly during this critical phase of the Program which requires a heightened level of oversight and decisive actions in response to issues or to improve outcomes.

4.1. Reflection and Continuous Improvement

Westpac has entered the most complex phase of the Program, with multiple Activities converging, competing priorities and challenges needing to be addressed decisively and the need to ensure that teams remain focused and maintain momentum. These complexities are exacerbated by the compression of timeframes as the Program's scheduled end date draws nearer. There is also the ever-present backdrop of the broader economic environment which commands the Bank's attention.

Throughout the course of this Reporting Period, Westpac has demonstrated a maturing approach to reflecting on issues, acknowledging deficiencies and utilising opportunities to draw insights and make refinements. In particular we saw this through Westpac's:

- depth of reflection and causal analysis undertaken to understand the drivers behind previous incomplete assessments and the development of clear actions to remediate deficiencies (as described in section 3.6.2 above);
- consideration of Promontory's feedback, engagement of an external third party and significant stakeholder engagement to critically reflect upon the deficiencies with implementing the risk culture framework and initiatives;
- candour throughout the 6MR process (as outlined in section 3.6.1 above) which, among other things, provided a further opportunity to critically reflect upon learnings from incomplete assessments, acknowledge the significant work required across the Bank to drive the behaviours and actions to reach the desired risk culture, and the progress required across the Bank to meet the Program's Target State.

As noted above, we have observed an increasing willingness from Westpac to meaningfully reflect upon shortcomings and to acknowledge mistakes where they have been made. We have also seen, particularly through the reflections on risk culture, a recognition of the need to fully engage with relevant internal stakeholders and to meaningfully consider their feedback together with external feedback. This is fundamental to ensuring that there is genuine 'buy in' from internal stakeholders who are ultimately implementing and actioning the uplift measures, and that those measures are constructed in a way that is fit for purpose.

An openness to learning from deficiencies and the structured sharing of stories where mistakes have been made or issues have arisen, together with the lessons learnt, is a powerful tool for the organisation as it indicates that 'speaking up' is genuinely encouraged. It demonstrates that Westpac wants to shift away from perceptions of a 'good news' only culture. If Westpac maintains this approach consistently, it shows that the organisation welcomes every opportunity to learn and that managing risk is not static, rather it requires consistent refinement and everyone in the organisation has a role to play in this.

The reflection on deficiencies through the causal analyses conducted to date on particular Workstreams and Activities have revealed some consistent themes which Westpac have developed plans to address. A greater awareness of these issues means that Westpac will be more readily able to identify them and intervene if they begin to emerge more broadly across the CORE Program. Some of the consistent themes include:

- the need to better manage employee turnover (i.e. planning, ensuring sufficient rigour around the handover of responsibilities);
- vigilance in addressing capability gaps;
- the need to adhere to processes and governance protocols where changes to Activities are required; and

- ensuring that stakeholders across the business are appropriately engaged and their feedback is meaningfully considered.

Importantly, whilst these themes have been observed through reflections on Program Activities, Westpac should remain aware that these behaviours could manifest in the BAU operating environment. It is critical that Westpac continues to assess and meaningfully address its capability gaps. Further, these themes amplify the benefit to be derived from ensuring that learnings are shared across teams and Divisions at every opportunity, to motivate change, to show that continuous improvement occurs through daily actions and to reinforce the culture Westpac is aspiring to achieve.

4.2. Cultural Transformation

As outlined in previous reports, delivering cultural transformation and implementing mechanisms to drive changes to behaviour and actions is challenging but it is the cornerstone to delivering sustainable change. Ultimately, the sustained success of the Program is dependent on improved ways of working being underpinned by aligned behaviours and actions. These should also be reinforced through clear accountabilities at every level of the organisation, and demonstrated daily through actions, both big and small.

We previously noted that Westpac recognised that the implementation of its risk culture framework and initiatives was not where it expected to be at this stage of the Program. In an effort to understand the roadblocks, an external third party was engaged to conduct a review. This review has now been completed with the key findings indicating that the Bank did not follow the workstream plan and needed to improve on the ways in which internal stakeholders are engaged and their feedback is sought and acted upon.

In response to the findings and recommendations, Westpac has developed a detailed plan to course correct based on the deficiencies identified. These include changes to the Plan and enhanced governance of its Risk Culture Workstream. Collaboration with key stakeholders will now be at the centre of all actions moving forward as they are recognised as the critical advocates to deliver the desired changes.

The Bank's recognition of its shortcomings has allowed it to meaningfully re-assess what needs to be done and creates a powerful platform from which to move forward with its key stakeholders aligned. Work has commenced to address the deficiencies identified with Bank strongly committed to uplifting its risk culture in a thoughtful and sustainable way.

There is growing evidence that Westpac recognises the importance of middle management's role in modelling and influencing risk behaviours and the need to engage directly with this cohort. We have observed examples of forums attended by middle management with a purpose to drive strong risk culture and to promote good risk behaviours. These forums included the People Leaders' Forum with coverage across the Group and tailored forums held within specific Divisions. Westpac is planning some additional actions to engage with middle management over the coming periods.

While strong communication and reinforcing messages is one very important tool in promoting good risk behaviour, it is important that this is supplemented by tangible changes in behaviour that are observable in practice. As outlined in section 3.4, feedback was received in response to recent forums that the messages conveyed were inconsistent with behaviours in practice. As the Bank continues to advance its planning to have in-person leadership days for middle management, it will be important to reflect on this feedback so that the messages regarding risk management and conduct continue to be highlighted in a way that is relatable and can be observed in changed behaviours over time.

A clear enterprise-wide plan that can be applied consistently across the Group remains a key attribute to Westpac's ability to successfully deliver change and Westpac is aware that more work is required on this front. A balance must be struck between providing high level statements and supporting them with sufficient detail. Inconsistencies in the way that risk culture have been approached by different business units should also be addressed.

In the short term, Westpac needs a succinct plan that can be implemented with a sense of urgency and in a consistent manner across the Bank. The Risk Culture Workstream will need to be sufficiently resourced so that they can provide the depth of support that Divisions and LoB owners will also need in order to implement behavioural actions as part of this uplift. This will also help to ensure a consistent approach is applied across the Bank.

There is no substitute for a strong tone from the top, starting with Westpac's Board and Group Executives and cascading down through senior and middle managers. Whilst the Program and the Workstream plan developed under it provides the framework to deliver changes, shifts in behaviours and the risk culture of the organisation will take time and will extend beyond the life of the Program. It will be important for Westpac to plan for these actions extending beyond the life of the Program and how this will take place. As part of this, the Bank will need to ensure it continues to actively measure, monitor, and manage risk behaviours and take appropriate action as required.

4.3. Quality and Timeliness

As raised in our previous reports, the risk of an imbalance in the tension between quality and timeliness remains ever present and will likely persist for the duration of the Program as the pressure to meet impending deadlines grows. As the Program's end date approaches, there has been a clear proactive and conscious effort by the Bank to manage the risk of quality being compromised and to ensure that sustainable change and outcomes are prioritised.

One key mechanism has been to extend the timeframes for certain Deliverables and Activities. During the Reporting Period, Westpac has extended timeframes for multiple Activities to help ensure quality of delivery and to allow sufficient time for issues to be appropriately resolved. This will allow for the desired uplift under the extended timeframes to be appropriately implemented, challenged and refined to ensure their embedment will be sustainable.

At the same time, this presents a more acute risk to the ability to manage the tension between timing and quality given the concentration of Deliverables due in the last six months of the Program, and there are several Workstreams that have Deliverables falling due at the end of the CORE Program. This also introduces a risk that issues might not be surfaced due to timing pressures and the desire to deliver the Program on time. As outlined earlier in this Report, Westpac has recognised these challenges, and these are reflected in the new high-rated risk for the Program relating to the ability to demonstrate effective implementation and embedment of all Workstream Deliverables by December 2023.

Westpac should continue to manage this risk and it will be important to reinforce the commitment to quality in order to reach the target state in a manner that ensures that changes will be sustainable. Communication strategies and reinforcement through senior management will serve as an important tool. At the Program level, there would also be benefit in Westpac periodically performing deep dives over the remainder of the Program to assess progress being made to address the five identified root causes of Westpac's risk management and governance deficiencies. This will help to identify challenges and risks so that targeted action can be promptly taken.

Perhaps most importantly, where additional time is needed to deliver the intended outcomes, this must be called out as soon as practicable. The risk of a compromise in quality is more likely to be circumvented where the need for extra time is called out early and a plan is put in place to address the likely impacts to quality and outcomes. As noted above, Westpac is taking proactive action to carefully assess the appropriateness of the remaining timeframe for the Program.

Looking ahead, it is important the Bank consider the extent to which some actions will extend beyond CORE. Promontory's experience of major transformation projects like CORE suggests that further ongoing work may be needed to demonstrate effectiveness and continuously evolve. It will be important to ensure clarity of planning as to how ongoing work will be managed after the CORE Program concludes so that the solid progress achieved to date becomes a solid foundation for continuous improvement. Irrespective of the progress made by the end date of the Program, timely and transparent communication on the path forward with a focus on quality and sustainable change will be critical.

4.4. Three Lines of Defence

We observed in our Seventh and Eighth reports that there were ongoing challenges relating to the implementation and embedment of the 3LoD model. Among a range of challenges, we noted in particular the absence of a clear narrative, difficulties in ensuring the model is consistently understood, and evidence that role clarity and accountability between Line 1 and Line 2 was also problematic. These challenges required significant attention given that one of the root causes of Westpac's risk governance deficiencies was a 3LoD model that was not well understood or embedded.

In recognition of the persistent challenges, and in an effort to develop actions to address them decisively, a roundtable forum was initiated during the latter half of 2022, bringing together senior stakeholders across the three lines. This forum has served as the catalyst for a significant amount of work and collaboration to agree clear actions and to drive them forward. Importantly, the roundtable forum has a regular cadence, with senior stakeholders meeting monthly to ensure that collaboration is maintained, for any ambiguities or roadblocks to be discussed and addressed, and to ensure that there is consistency of implementation across the Bank. The roundtable facilitates a means of continuous oversight and governance, with actions documented and reported.

Westpac has developed a clear narrative and target state which has formed the basis for a robust communications strategy around risk management and the three lines. There is also a focus on meaningfully engaging with middle management as key contributors to sustainable change. A significant amount of work has been undertaken to ensure role clarity, to standardise the process for the successful transfer of responsibilities, and to develop a set of artefacts relating to the three lines so that there is a single, clear 'source of truth' which can be regularly reinforced.

The mobilisation and collaboration of Westpac's key senior stakeholders across the three lines has been a positive and critical step forward with respect to the implementation of the 3LoD model. Continued collaboration and oversight will be an important factor in ensuring sustainability of the model's implementation over time, especially if undesirable legacy behaviours observed over previous years start to re-emerge.

Whilst sound progress has been made, there is still a significant pathway ahead to ensure the successful implementation and embedment of an effective 3LoD model over time. Plans and frameworks need to be evidenced through consistent behaviours and actions, and responsibilities must be consistently carried out by those accountable for them. It is fundamental that employees within Line 1 and 2 have the appropriate capabilities to carry out their roles and Westpac is ensuring that capability gaps are identified and addressed. In such a competitive and challenging environment for recruiting and retaining staff, capability requires sustained attention. Ongoing training, clear and accessible artefacts and consistent reinforcement of accountabilities will also help to drive sustained success.

Over the coming period, Westpac will need to closely monitor implementation of the model, utilise the insights and feedback from its middle managers, and ensure that escalation of issues, oversight and governance remain robust so that any early intervention or refinements can be made. In tandem with this work, consistent reinforcement through a strong tone from the top, mechanisms to reflect and continuously improve, the utilisation of value chains and data, as well as the work on risk culture should collectively contribute to the strong inroads made to date and help to embed a robust 3LoD model.

5. Workstream Assessment and Progress

5.1. Introduction

During the Reporting Period, Promontory closed 27 Activities (1 Design Activity, 15 Implement Activities and 11 Embed Activities). Promontory also closed 11 Deliverables. A further 27 Activities remained under assessment as at the Reporting Date.

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

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

# ⁸	Theme	Workstream	Activity	Phase	Activity Sign-Off Date
1	Board Governance	WS1	1.1.2	Implement	12 January 2022
2			1.2.3	Embed	24 February 2023
3			1.5.2	Implement	6 January 2023
4			1.5.3	Embed	3 February 2023
5			1.6.4	Implement	15 February 2023
6			1.8.3	Embed	31 March 2023
7			1.9.3	Embed	6 March 2023
8	Culture and Capability	WS4	4.1.5	Embed	3 March 2023
9			4.3.6	Embed	6 March 2023
10		WS6	6.1.1a	Design	24 February 2023
11			6.3.3	Implement	20 February 2023
12			6.7.4	Implement	10 March 2023

⁸ The numbers in this column have been assigned to each Closure Pack by Promontory for tracking purposes.

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# ⁸	Theme	Workstream	Activity	Phase	Activity Sign-Off Date	
13	Transformation Capability & Delivery	WS7	7.2.2	Implement	10 February 2023	
14			7.2.2a	Implement	24 March 2023	
15			7.4.2	Implement	3 March 2023	
16			7.6.5	Implement	24 March 2023	
18	Risk & Compliance Management	WS8	8.3.5	Embed	12 January 2023	
19		WS9	9.3.2	Implement	13 February 2023	
20		WS10	10.1.3	Implement	20 March 2023	
21			10.1.3a	Implement	20 March 2023	
22			10.2.4	Implement	7 March 2023	
23			10.3.2a	Implement	16 February 2023	
24		WS12	12.2.3	Embed	6 March 2023	
			12.4.3	Embed	5 January 2023	
25		Technology and Data Risk	WS15	15.1.3	Embed	13 March 2023
26			WS16	16.3.3	Embed	17 March 2023
27	Financial Risk Classes	WS18	18.1.2	Implement	5 January 2023	

5.2. Board Governance Theme Progress

During the Reporting Period, Promontory assessed seven Board Governance 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 25 of the 30 Board Governance Theme Activities had been assessed as complete and effective.

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

5.2.1. Workstream 1 – Board Risk Governance (WS1)

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

The Board and Board Committees operate effectively, set clear direction for Westpac's risk appetite and culture, and provide appropriate oversight of risk management, having regard to the foundations for good governance as outlined in 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 5.1: WS1 Activity Status

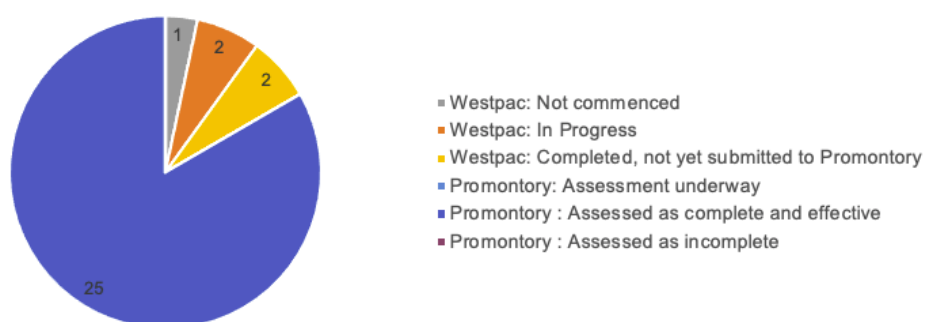


Table 5.2: WS1 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
1.1	Board direction on strategy and enterprise investment prioritisation	2	3
1.2	Board risk reporting	3	3
1.3	Board direction on risk appetite	2	3
1.4	Board direction on risk culture	2	4
1.5	Board direction on risk training	3	3
1.6	Board direction on consequences	4	5
1.7	Oversight of Advisory Panel Observations	3	3
1.8	Review of BRiskC and Board Legal, Regulatory and Compliance Committee (BLRCC) implementation	3	3

#	Deliverable	Closed Activities	Total Activities
1.9	Review capacity and capability in the 3LoD	3	3
	Total	25	30

Assessment of Deliverable 1.1

Deliverable 1.1 requires the Board to provide continued oversight of strategy and investment prioritisation, with relevant input from Board Committees and senior management (as appropriate).

Activity 1.1.2

Implement Activity 1.1.2 requires the Board to provide oversight of strategy through the Board Strategy Review, and enterprise investment prioritisation (via annual financial target setting), with relevant input from Board Committees and senior management. As part of this Activity, the Board and Board Committees are required to consider, and test and challenge the information and recommendations provided by management, and the BRiskC and former Board Legal, Regulatory and Compliance Committee (BLRCC)⁹ are to provide a view on management’s assessment of the Group’s key risks and emerging risks to the Board to inform enterprise prioritisation decisions.

Westpac evidenced four primary mechanisms used by management to facilitate the Board’s oversight of strategy and enterprise investment prioritisation:

- The Board Strategy Review held annually which is attended by the Board and senior management to consider the Group’s strategic priorities for the next three financial years.
- Financial target setting contained in a paper presented to and approved by the Board annually which sets out agreed financial targets for the Group following agreement of strategy.
- The Half-Yearly Strategy Workshop held annually in March which allows the Board to assess the progress of implementation of the Group’s strategy.
- Chief Financial Officer, Chief Risk Officer, and Group Transformation Office reporting which provides regular updates relating to performance against financial targets, risk issues and the Transformation Program.

The BRiskC receives a six-monthly emerging risk update and the BRiskC s required to review and then recommend to the Board the Board Risk Appetite Statement, which includes consideration of emerging risks.

⁹ The BLRCC was recombined with the BRiskC with effect from 12 August 2022.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the extent of Board test and challenge relating to appropriate resourcing and funding for Divisions given the organisation's Cost Reset Program, as well as how the Board engages with Divisions in relation to their implementation of the Group strategy.

Based on our assessment of the Activity Closure Pack, the additional documentation we received, and an interview with the outgoing Chair of the BRiskC, we concluded that there was appropriate level of Board oversight and test and challenge of enterprise investment prioritisation, and key risks were considered in informing these decisions.

Assessment of Deliverable 1.2

Deliverable 1.2 requires improvement in risk reporting, including templates, guidance and risk report writing, where relevant, provided to the BRiskC and BLRCC. Risk reporting has to be clear, timely and with a meaningful synthesis of insights, enabling the Directors to understand Risk Management Framework (RMF) effectiveness and root causes for issues.

Deliverable 1.2

As part of this Deliverable, the BRiskC provided oversight and feedback that resulted in improvements to risk reporting, including the format, quality, and insightfulness of BRiskC reports. New templates, guidance and training has also been introduced to support writers of BRiskC papers in response to BRiskC feedback. Mechanisms are in place for ongoing formal and informal BRiskC feedback on the quality of risk reporting.

After reviewing this Deliverable and the associated Activities, Promontory has assessed that the Sustainability Principles have been operationalised and are operating effectively to support the maintenance of the Target State, with sufficient evidence that processes and controls for sustainability are embedded in Westpac's existing frameworks.

Activity 1.2.3

Embed Activity 1.2.3 requires the BRiskC and BLRCC to provide continued oversight of risk reporting including templates, guidance and risk report writing, where relevant, and any identified additional areas for improvement are actioned, where relevant.

The mechanism for providing continued oversight of risk reporting by the BRiskC included the following frameworks and processes:

- BRiskC Charter – states responsibilities for the BRiskC to oversee the identification, management and reporting of risks inherent in the Westpac Group's operations.
- BRiskC Forward Agenda – lists the relevant reports to be received and reviewed by the BRiskC in the upcoming calendar year.
- Committee Charter – annual review of roles and responsibilities of the BRiskC.

- Private Discussion – standing agenda item at the BRiskC meetings to offer formal feedback mechanisms with informal options available.
- Board Effectiveness Review – ‘watchpoints’ relating to uplifting the quality of Board reporting.
- BRiskC Actions – lists opportunities to improve risk reporting to the committees and the tracking of actions for each Committee meeting.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the Board Effectiveness Review, Program Deliverable Metrics and sustainability principles. We were particularly interested in how the Board would be able to provide continued oversight in sustainable manner.

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 put in place sustainability mechanisms for continued oversight over risk reporting and ensure the uplifting of its quality.

Assessment of Deliverable 1.5

Deliverable 1.5 requires the BRiskC, BLRCC and/or Board to provide continued oversight of Group-wide Risk Fundamentals training.

Deliverable 1.5

As part of this Deliverable, Westpac provided continued oversight by reviewing materials for Group-wide Risk Fundamentals training and through overseeing the roll-out and implementation of the training across the 3LOD.

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles have been operationalised and are operating effectively to support the maintenance of the Target State, with sufficient evidence that processes and controls for sustainability are embedded in Westpac's existing frameworks.

Activity 1.5.2

Design Activity 1.5.2 requires the BRiskC, BLRCC and/or Board (as appropriate) to provide oversight of the implementation of Group-wide Risk Fundamentals training across the 3LoD (actioned by the Learning Council).

Oversight of the implementation of the Risk Fundamentals training program by the BRiskC occurred in BRiskC meetings held from August 2021 to January 2022. Updates to the training program were provided in BRiskC meetings throughout this period where the BRiskC asked management questions, facilitating discussions. In May 2022, the BRiskC were notified that the training program was successfully implemented in March 2022.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had taken appropriate steps to provide oversight of the implementation of Group-wide Risk Fundamentals training across the 3LoD.

Activity 1.5.3

Design Activity 1.5.3 requires the BRiskC, BLRCC and/or Board (as appropriate) to provide continued oversight of the implementation of Group-wide Risk Fundamentals training across the 3LoD (actioned by the Learning Council).

Oversight of the implementation of the Risk Fundamentals training program by the BRiskC was evidenced in the BRiskC Meeting held 3 May 2022. In this meeting a paper was provided to the BRiskC as a final update on the rollout of the training program indicating that the key initiatives had been completed. Management also noted that as the Risk Fundamental training program transitions to embedment, the BRiskC would be able to maintain oversight of the appropriateness and sustainability of risk capability more holistically through mechanisms such as through CPS 220 reviews, reporting on general risk metrics, and specific updates via CORE WS6.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had taken appropriate steps to provide continued oversight of the implementation of Group-wide Risk Fundamentals training across the 3LOD.

Assessment of Deliverable 1.6

Deliverable 1.6 requires the BRiskC, Board Remuneration Committee (BRemC) and/or Board to provide continued oversight of consequences for poor issues management and risks remaining out of appetite, with reference to work completed in WS5 (Remuneration and Consequence Management).

Activity 1.6.4

Implement Activity 1.6.4 requires the BRiskC and BRemC to review actions taken by management¹⁰ to improve consequence management for poor issues management, risks remaining out of appetite, and oversight of identified further areas for improvement. This is considered with reference to work undertaken in Deliverables 5.2 (Risk Gate and Remuneration Adjustment Criteria) and 10.4 (Issues Management).

The BRiskC or BRemC reviewed six actions taken by management in 2020 – 30 December 2021, such as the presence of issues management measures in remuneration scorecards and the Group's Consequence Management Framework incorporating good issues management outcomes and consequences for inaction.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the feedback that management received from the BRiskCo and

¹⁰ Chief Risk Officer (CRO), GE Financial Crime, Compliance and Conduct (FCC&C) and GE Human Resources.

BRemC on the six actions. We were particularly interested in the extent to which management was challenged on the actions they were taking to support the Board's oversight of consequences for poor issues management and risks remaining out of appetite.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to review the actions taken by management to improve consequence management for poor issues management and risks remaining out of appetite. and areas for improvements identified are actioned.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 1.6, we will consider evidence of the BRiskC's continued oversight of poor issues management and risks remaining out of appetite in FY23, and the application of the consequence management framework in FY23.

Assessment of Deliverable 1.8

Deliverable 1.8 requires the review of the effectiveness of the operationalised structure of the BRiskC and BLRCC and whether they (and Board) are setting clear expectations and providing appropriate oversight of risk management.

Deliverable 1.8

Relevantly for this Deliverable, Westpac conducted the 2021 Board Effectiveness Review and the Board resolved to recombine the BLRCC and BRiskC with effect from 12 August 2022. The BRiskC Charter was updated to incorporate the key oversight responsibilities previously undertaken by the BLRCC (including in relation to financial crime risk, compliance and conduct risk, and regulatory matters). Mechanisms are in place for ongoing review of the effectiveness of the Board and BRiskC.

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles have been operationalised and are operating effectively to support the maintenance of the Target State, with sufficient evidence that processes and controls for sustainability are embedded in Westpac's existing frameworks.

Activity 1.8.3

Embed Activity 1.8.3 requires improvements to the BRiskC and BLRCC to be embedded as a result of the 2021 Board Effectiveness Review.

The key action from the 2021 Board Effectiveness Review was to recombine the BRiskC and BLRCC, in light of the recombining of the Risk and FCC&C Divisions under the newly appointed CRO. The BLRCC and BRiskC were recombined with effect from 12 August 2022, with the BRiskC Charter updated to incorporate the key oversight responsibilities previously undertaken by the BLRCC.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the outcomes of the 2022 Board Effectiveness Review.

Based on our assessment of the Activity Closure Pack and our additional discussions, we concluded that Westpac had taken appropriate steps to embed any actions arising from the 2021 Board Effectiveness Review.

Assessment of Deliverable 1.9

Deliverable 1.9 requires the review of the completion of hiring for Third Line roles and to progress the implementation of the Third Line capability plan.

As part of this Deliverable, Westpac has uplifted the resourcing and capability of Group Audit function with oversight and feedback from the Board Audit Committee (BAC). Capacity and capability updates are regularly provided to the BAC, including reporting on progress towards completion of action and capability plans. Formal mechanisms are in place for ongoing review by the BAC.

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles have been operationalised and are operating effectively to support the maintenance of the Target State, with sufficient evidence that processes and controls for sustainability are embedded in Westpac's existing frameworks.

Activity 1.9.3

Embed Activity 1.9.3 requires the BAC to provide continued oversight of the annual operating rhythm to identify Third Line capacity requirements based on annual Third Line assurance plan, and capacity and capability assessments. The BAC is to approve Group Audit's capacity plan and consider Group Audit's progress and outcomes of the Third Line capability plan.

The BAC provided oversight of the progress of action plans on capacity and capability developed by Group Audit to respond to external reviews and internal skills assessments. The annual Group Audit Plan was approved by the BAC with consideration of capacity and capability. The BAC received regular reporting and provided feedback on the continued uplift of Group Audit resources in line with BAC expectations, including the meeting of success measures established.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the process conducted and the results of the FY22 Group Audit skills assessment.

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 in terms of BAC oversight of Group Audit capacity and capability, including BAC approval of the FY23 Group Audit Plan.

5.3. Culture and Capability Theme Progress

During the Reporting Period Promontory assessed nine Culture and Capability Theme Activities as complete and effective. Taking into account Activities assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of 92 of the 115 Culture and Capability Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac submitted the Closure Pack for one Culture and Capability Theme Activity to Promontory and two Deliverables. As at the Reporting Date, Promontory was in the process of assessing six Activities and one Deliverable.

As at the Reporting Date, 16 Activities for this Theme remain to be submitted to Promontory for assessment.

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

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

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

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

Figure 5.2: WS2 Activity Status

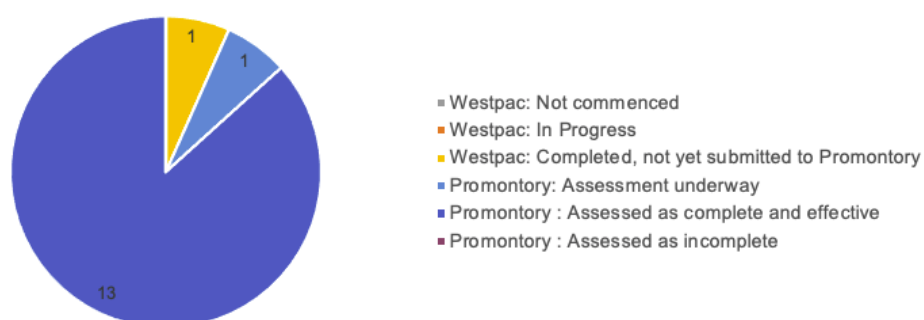


Table 5.3: WS2 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
2.1	Executive leadership culture and practices	2	3
2.2	Performance Management and Recognition Platforms	3	3
2.3	Culture measurement	3	3
2.4	Executive capabilities	3	3
2.5	Strengthening application of the Motivate framework to actively manage under performance and developing leadership skills on performance management (GM & GM1 as required)	2	3
Total		13	15

Assessment of Deliverable 2.2

Deliverable 2.2 requires the alignment of performance management and recognition platforms (Motivate and GEM) to support the new Westpac Purpose, Values, and Behaviours (PVB) and risk culture.

As part of this Deliverable, Westpac has aligned the performance management platform ‘Motivate’ to support the new PVB. This supported better values based quarterly conversations, and supporting tools and communications were introduced to help performance delivery and outcomes. This Deliverable also aligned GEM, Westpac’s employee recognition platform, to recognise those displaying the PVB.

After reviewing this Deliverable and the associated Activities, Promontory has assessed that the Sustainability Principles have been operationalised and are operating effectively to support the maintenance of the Target State, with sufficient evidence that processes and controls for sustainability are embedded in Westpac’s existing frameworks.

Assessment of Deliverable 2.3

Deliverable 2.3 requires the implementation of a culture measurement approach to monitor and inform the progress of the culture transformation program and enable measurement of risk culture.

As part of this Deliverable, Westpac has introduced a consistent definition and measurement of culture through the Voice+ operating rhythm. Voice+ plus is an enterprise-wide culture survey which has been consistently distributed quarterly and is used to provide a view of risk culture and risk behaviours. There is now a well-established process in place whereby surveys are conducted on a quarterly basis and reported through the Voice+ Dashboard to senior leaders.

After reviewing this Deliverable and the associated Activities, Promontory has assessed that the Sustainability Principles have been operationalised and are operating effectively to support

the maintenance of the Target State, with sufficient evidence that processes and controls for sustainability are embedded in Westpac’s existing frameworks.

Assessment of Deliverable 2.4

Deliverable 2.4 requires a refresh to the Executive Leadership Capability Framework, to support the new PVB and alignment of specialist and generalist capabilities to Executive Leader accountabilities for GEs, GM and GM1.

As part of this Deliverable, Westpac delivered a refreshed Executive Leadership Capability Framework to support an uplift in leadership capability. The Framework informs key HR processes and tools (such as recruitment, onboarding and leader development) and is supported by governance mechanisms for ongoing review and improvement.

After reviewing this Deliverable and the associated Activities, Promontory has assessed that the Sustainability Principles have been operationalised and are operating effectively to support the maintenance of the Target State, with sufficient evidence that processes and controls for sustainability are embedded in Westpac’s existing frameworks.

5.3.2. Workstream 3 – Risk Culture (WS3)

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

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

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

Figure 5.3: WS3 Activity Status

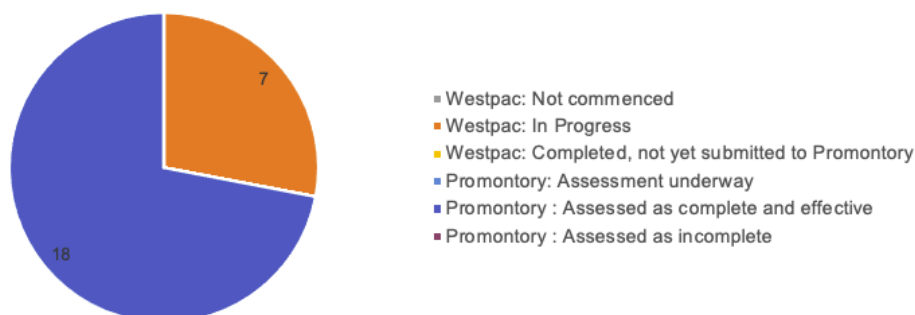


Table 5.4: WS3 Deliverables Progress

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

As noted in our Eighth Report, Westpac’s submission to Promontory of four Activities remains on hold pending the conclusion of the independent third-party review into the Bank’s risk culture initiatives.

5.3.3. Workstream 4 – Organisational Design (WS4)

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

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

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

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

Figure 5.4: WS4 Activity Status

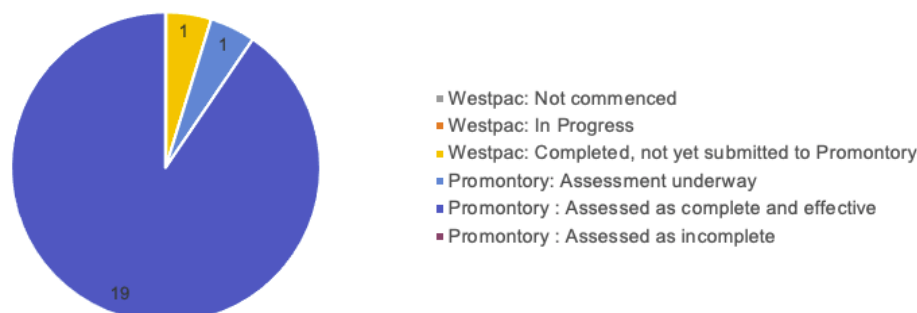


Table 5.5: WS4 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
4.1	Organisation Design Principles	5	5
4.2	3LoD model in the First Line	6	7
4.3	Roles, responsibilities, and delegations	6	6
4.4	Making decisions and engaging across roles	2	3
Total		19	21

Assessment of Deliverable 4.1

Deliverable 4.1 requires the application of LoB model principles to organisational change decisions to ensure that accountabilities and engagement models are clear and remain clear.

Activity 4.1.5

Embed Activity 4.1.5 requires that the governance mechanisms implemented in earlier phases of the Deliverable are operating effectively to maintain alignment to organisation and LoB model design principles.

This has been driven primarily through integrating the ‘Test and Challenge’ process for planned and unplanned organisation design work, running additional training sessions, and reviewing the Chapter Model.¹¹ In future, this will be supported through biannual Operating Model reviews and the Operating Model maturity dashboard.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the capacity and capability of the Workforce Optimisation team, and the adoption of the Test & Challenge process across the group.

¹¹ A Chapter is a collection of resources with a similar area of expertise, responsible for frameworks and standards, talent strategy and capability building, as well as resource allocations. The Chapter Model was developed with input from internal experts, and examples from other financial institutions.

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 embed key governance mechanisms and align organisation change to design principles.

Assessment of Deliverable 4.3

Deliverable 4.3 requires strengthening of senior leadership accountability in practice through communication and tools that demonstrate and monitor accountability being exercised. This includes building on behaviour-based performance frameworks to facilitate employees exercising accountability.

Activity 4.3.6

Embed Activity 4.3.6 requires a review of the effectiveness of tools to drive accountability, such as Statements of Accountability, to demonstrate the embedment process and enhancing tools where necessary. The Activity also requires that a process to review the efficacy of tools on an ongoing basis is embedded.

As part of this Activity, a process has been established to review the efficacy of tools such as Statements of Accountability and appropriate actions have been taken after the review. An Accountability Monitoring Tool has been developed via the Strategic Insights Platform (**SIP**) and smart alerts support senior leaders and delegates to ensure Statements of Accountability are in place and up to date within their Division.

Employees review their accountabilities on an ongoing basis through relevant performance frameworks and enhancements have been made to the Motivate system with a prompt for employees to review their Statement of Accountability each quarter. A clear governance approach has been established to ensure that accountability activities including Statements of Accountabilities remain in place and are appropriately maintained. This includes a reliance on Group controls, systems and frameworks, enhancements to these frameworks, and a new centralised control that will be performed annually by Group Accountability.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the enhancements made to tools and processes as part of the embedment review and the progress towards achieving Program Deliverable Metrics.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac had taken appropriate steps to embed a process for the review of tools to drive accountability and had demonstrated that tools were enhanced where necessary.

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

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

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

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

Figure 5.5: WS5 Activity Status

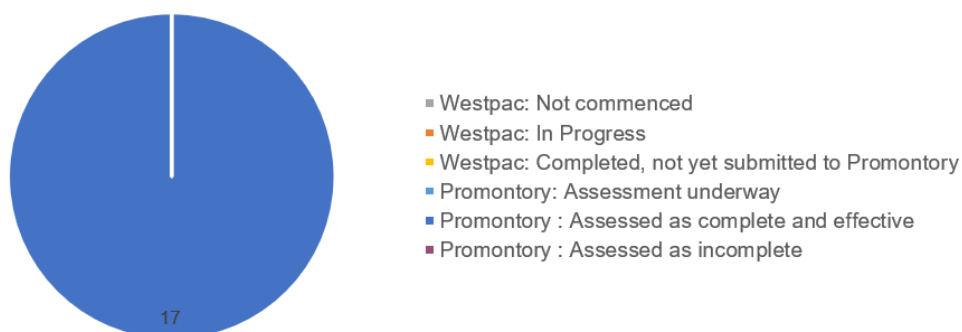


Table 5.6: WS5 Deliverables Progress

#	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

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

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

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

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

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

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

Figure 5.6: WS6 Activity Status

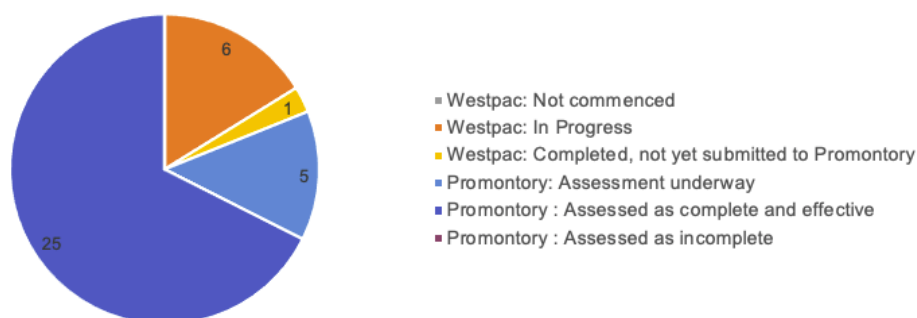


Table 5.7: WS6 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
6.1	Organisational structure in the Second Line	4	7
6.2	Risk capacity across the 3LoD	3	5
6.3	Risk capability in the Second Line	3	4
6.4	Risk capability in the First Line	4	6
6.5	Risk capability assessment	1	3
6.6	Risk Fundamentals	3	4
6.7	Risk Knowledge Management Chatbot ('Risk Assist')	4	5
6.8	Risk reporting tools and capabilities	3	3
Total		25	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 6.1.1a

Design Activity 6.1.1a requires the Second Line Target Operating Model to be amended to specify that independent insight and oversight is to be applied to Risk-owned Prudential Controls.

The Operating Model was revised to reflect that where Second Line is the owner or performer of a Prudential control, a separate GM-1 reporting line must provide independent oversight, and that this must come from 'an appropriately skilled person'.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the consultation process for the update to the Second Line Target Operating Model.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that Westpac had taken appropriate steps to revised the Second Line target Operating Model and ensure appropriate consultation with senior leaders through workshops and collation of feedback.

Assessment of Deliverable 6.3

Deliverable 6.3 requires improvement of the design and delivery of risk training to the Second Line. This includes an update to the Risk Capability Framework and design and implementation of a risk training curriculum to support the Second Line in maintaining an adequate level of risk expertise and capabilities.

Activity 6.3.3

Implement Activity 6.3.3 requires the roll out of a Risk training curriculum to Second Line Risk roles, which includes supporting Second Line training initiatives for other CORE Workstreams, specifically Reputation and Sustainability Risk training (Activity 8.4.2), Report Writing (Activity 6.8.2) and Root Cause Analysis (Activity 10.6.5).

The FY22 Second Line Learning Plan was designed to address technical and behavioural gaps and consisted of Technical Risk Learning initiatives, Behavioural Learning initiatives and Risk Events. The FY22 Learning Plan was deployed across the Risk Division, including the former FCC&C Division. A total of 99% of Second Line staff completed Mandatory Risk and Compliance learning, with further evidence of Second Line completions across optional learning, or learning for targeted audiences.

The FY22 Second Line Learning Plan also provided the platform and support for other CORE Workstreams to deliver learning solutions for their target Line 2 Risk audiences, i.e., Reputation and Sustainability Risk (Activity 8.4.2), Report Writing (Activity 6.8.2), Root Cause Analysis (Activity 10.6.5).

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the formalised standards and procedures used to review and update the Learning Plan and mechanisms in place to measure capability uplift against identified capability gaps post-training and hence the overall effectiveness of the training provided.

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 deliver the Risk training curriculum to Second Line Risk roles.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 6.3, we will consider implementation and embedment of capabilities and learning aligned to the newly introduced Group Capability Framework, operation of a documented Standard Operating Procedure that guides the development of the Learning Plan and the operation of governance mechanisms to measure and oversee the appropriateness, effectiveness and sustainability of Risk training delivered to Second Line Risk roles. We will also consider the contribution of Deliverable 6.3 in addressing the nine related deficiencies in the CORE deficiencies register.

Assessment of Deliverable 6.7

Deliverable 6.7 requires designing and embedding across the 3LoD, a consistent way of disseminating and accessing risk management policy and guidance information via a chatbot, 'Risk Assist.'

Activity 6.7.4

Implement Activity 6.7.4 requires the launching of the chatbot as defined in the Roadmap for FY22, and in accordance with the Business Operating Model.

In Q3 FY21, Risk Assist was transitioned to Astro, the Group's internal artificial intelligence (AI) capability, which acted as the 'front door' for all internally facing chatbots in Westpac. As such, the Business Operating Model for Risk Assist was retired and replaced by the new Astro Governance Framework, which was approved 1 October 2022 by the GM Sponsor. The content for Risk Assist was delivered as per the FY22 roadmap and the availability of Risk Assist content was delivered progressively in FY22 through the following communication activities:

- integration into existing Group-wide, Divisional and Business Unit channels and forums including GE Yammer posts, GE/GM Leader communications, Newsletters, Town halls, All ins, OBi coverage;
- integration into existing and new learning assets; and
- ongoing reinforcement through communication from leadership.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the business operating model of the Astro Governance framework and sample questions that have been released as part of the FY22 roadmap.

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 Risk Assist chatbot as defined in the roadmap for FY22 and that its business operating model is operational.

Assessment of Deliverable 6.8

Deliverable 6.8 requires the improvement of risk report writing skills and the establishing feedback mechanisms to encourage ongoing improvement in Group RiskCo, BRiskC and BLRCC reporting.

Deliverable 6.8

As part of this Deliverable, Westpac established feedback mechanisms to facilitate continuous improvement in risk paper quality. This included director feedback, the Board Effectiveness Review for FY21 BRiskC/BLRCC, and in the discussion on risk reporting that took place at the May 2022 BRiskC meeting.

The following processes were established to support its sustainability as part of BAU:

- Risk Paper Success Measures.
- RiskCo/BRiskC Kick-offs and Debriefs.
- Collation of data about risk papers.
- Annual review of the risk paper writing training program.
- Private discussion including the quality of risk reporting included in all BRiskC agendas
- Annual item on BRiskC agenda in relation to risk reporting.
- Completion of actions relating to improvements to risk reporting.
- Post BRiskC PIR.
- Risk reporting PIR.

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles have been operationalised and are operating effectively to support the maintenance of the Target State, with sufficient evidence that processes and controls for sustainability are embedded in Westpac's existing frameworks. Promontory has noted it would like to receive evidence of feedback from the Committee on risk reporting at the next BRiskC in May to validate that the Target State has been sustained.

5.4. Transformation Capability and Delivery Theme Progress

During the Reporting Period, Promontory assessed four 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 24 of the 33 Transformation Capability and Delivery Theme Activities had been assessed as complete and effective. This includes two Activities which had previously been assessed as incomplete. One Activity remains assessed as incomplete.

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

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

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

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

This Workstream has seven Deliverables consisting of 33 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Red. Among the drivers of the Red Status are the material issues identified in Activity 7.3.2 which was previously assessed as incomplete.

Figure 5.7: WS7 Activity Status

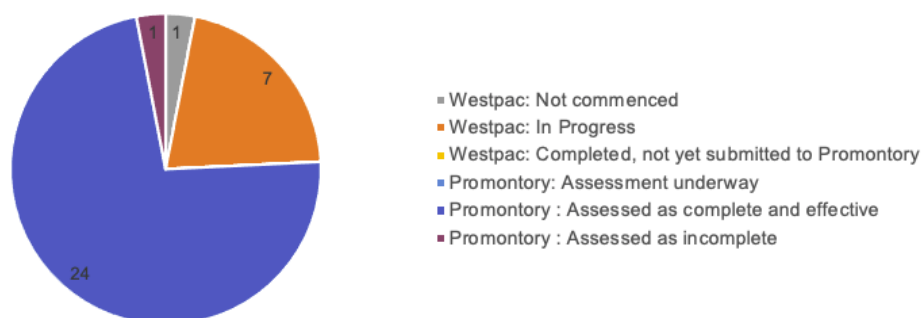


Table 5.8: WS7 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
7.1	Enterprise investment prioritisation reporting and submissions	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 7.2

Deliverable 7.2 requires enterprise change oversight to provide an appropriate level of attention to risk considerations in Westpac's Enterprise Portfolio Committee meetings and there is transparency in funding decisions at Divisional forums.

Activity 7.2.2

Implement Activity 7.2.2 requires Westpac to review changes to enterprise change oversight that assess whether an appropriate level of attention is given to risk considerations in Executive Team Transformation meetings (including implications of matters not being prioritised and the mitigating actions to address the residual risk, and that there is a process for oversight of delegations) and there is transparency in funding decisions at Divisional forums, in both cases by First Line sampling of decision registers and minutes; and to confirm clarity of Second Line role and refine as required.

As outlined in our Sixth Report, Promontory assessed the previous submission of this Implement Activity as incomplete, as at this time Westpac had not taken sufficient steps to implement the requirements of the Activity across all in-scope Divisions and functions at Westpac.

Since the time of our previous assessment, Westpac has considered the issues raised by Promontory and has implemented changes to enterprise change oversight across all in-scope Divisions and functions at Westpac. Westpac demonstrated use of templates to drive consistency in its forward portfolio outlook at quarterly forums at the divisional, enterprise and group level to support transparency of funding decisions. Westpac also conducted reviews of its quarterly business review process from which it identified areas to further uplift risk considerations in the forums during the embed phase.

[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 requirements of the Activity, including reviewing changes to enterprise change oversight across all in-scope Divisions and functions at Westpac.

Activity 7.2.2a

Implement Activity 7.2.2.a requires the implementation of an enterprise change oversight process. This process incorporates Executive Team and CEO Marketplace meetings which review the inclusion of risk considerations in prioritisation decisions, transparency of prioritisation and funding decisions at Divisional forums, Line 2 participation, and continuous improvement processes to gather feedback and inform improvement areas for the next cycle.

Since the submission of the Implement Activity 7.2.2 (see above) changes were made to the investment prioritisation process including a renaming of the CEO Marketplace to 'Group QBR', the establishment of an 'Enterprise Quarterly Business Review (QBR)' to uplift

governance and oversight of the portfolio by assessing and prioritising work within the Functions prior to the Group QBR, and combining the Monthly Executive Team Transformation meeting with the Executive Team monthly committee meeting.

Westpac has implemented an approach to investment prioritisation and risk consideration that aligns to the Group's endorsed prioritisation criteria and strategic priorities. Matters that are not prioritised are reviewed by the Executive Team at the Group QBR. Divisional Marketplaces apply a consistent approach to quarterly planning and prioritisation. This considers portfolio strategic objectives, funding decisions, key results, risk profile, risks and issues, alignment to technology roadmaps and current emerging compliance obligations. Engagement of Line 2 is defined, documented and operational, and continuous opportunities have been identified through the QBR Post Implementation Review (**PIR**).

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the outcomes of the PIR, Line 2 oversight, and the sequencing of dependencies.

Based on our assessment of the Activity Closure Pack, the additional information received, and interviews conducted, we concluded that Westpac had taken appropriate steps to ensure the Executive Team and Group QBR meetings review the inclusion of risk considerations in prioritisation decisions with a defined Line 2 role. We also observed sufficient evidence that Divisional forums have transparency in funding decisions, and an assessment of the process had been conducted.

Promontory noted that as part of our assessment of the subsequent Activity for Deliverable 7.2, we will seek to observe Line 2 oversight of risk considerations in funding decisions at the Enterprise level. Promontory also noted it would assess the establishment of a JUNO control 'Portfolio prioritisation' to ensure it is conducted and overseen as part of the QBR process and how contentions with respect to the records management initiatives have been resolved.

Assessment of Deliverable 7.4

Deliverable 7.4 requires establishing, uplifting, and embedding an enterprise capability for transformation governance and change delivery to enable achievement of Group and Divisional objectives.

Activity 7.4.2

Implement Activity 7.4.2 requires the implementation of the Group and Divisional transformation capability including a Group delivery assurance Centre of Excellence (CoE) capability assessment framework and benchmarks, approach to recruit and appoint change leaders, and a change delivery capability pathway.

Through implementation, the Group delivery assurance CoE was renamed the Transformation Delivery Advisory and Support. The implementation approach relied on the following five success factors to ensure group-wide adoption of the deliverables as BAU and a mechanism to ensure sustainable applicable and outcomes:

- scalable and sustainable implementation mechanism;
- pragmatic implementation approach;
- robust governance and quality assurance;
- consistent implementation of framework, artefacts and tools; and
- effective change management, communication and training

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the transformation capability assessment and requested a meeting to understand further the program reviews conducted by the Transformation Delivery Advisory and Support.

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 Group and Divisional transformation and change capability, including the Transformation Delivery Advisory and Support, the Transformation Capability Assessment, the Transformation Recruitment Guidelines and the Transformation Capability Framework and Pathways.

Assessment of Deliverable 7.6

Deliverable 7.6 requires risk management activities to be uplifted and integrated in change execution frameworks to drive the delivery of change outcomes and adoption of lessons learnt.

Activity 7.6.5

Implement Activity 7.6.5 requires the implementation of enhancements to the change execution frameworks to manage Risk in Change, as well as the practical application of managing Risk in Change in accordance with those frameworks and the identification of further improvement areas to be reflected in action plans.

Promontory issued its assessment of this Activity as incomplete during the last reporting period, as some enhancements and required action plans were not complete by the Activity due date (see Promontory's Eighth Report).

Westpac has since completed additional work and provided evidence in response to the deficiencies identified in Promontory's incomplete assessment. This included:

- action plans which were not completed by the time of the initial Activity due date; and
- evidence of stakeholder engagement which supported the identification of two further improvement areas and development of action plans.

Based on our assessment of additional documentation we received and the interviews we conducted, we concluded that the implementation of enhancements, identification of improvement areas and development of action plans to address improvement areas is now complete.

Westpac has submitted a change request to extend the closure date for both the related Embed and Deliverable Activities, to enable sufficient time to identify further enhancements, implement them and produce evidence of sustainable implementation across the Group. This change request was approved during the Reporting Period.

5.5. Risk and Compliance Management Theme Progress

During the Reporting Period, Promontory assessed eight 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 72 of the 103 Risk and Compliance Management Theme Activities had been assessed as complete and effective.

During the Reporting Period, Westpac submitted the Closure Packs for nine Risk and Compliance Management Theme Activities to Promontory and five Deliverables. As at the Reporting Date, Promontory was in the process of assessing ten Activities and five Deliverables for this Theme.

At the Reporting Date, 21 Activities for this Theme had not yet been submitted to Promontory for assessment.

5.5.1. Workstream 8 – Risk Management Framework (WS8)

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

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

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

Figure 5.8: WS8 Activity Status

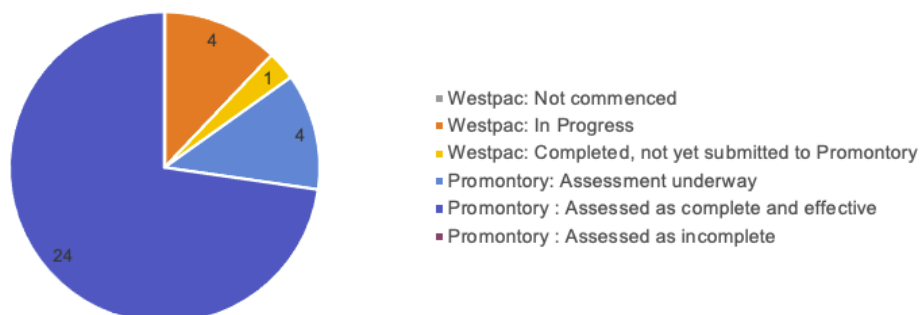


Table 5.9: WS8 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
8.1	Risk Management Frameworks and 3LoD	6	7
8.2	Group and Divisional RAS	4	5
8.3	Risk Policy management	5	5
8.4	Reputation Risk and Sustainability Risk	2	4
8.5	Emerging Risks	1	3
8.6	Risk Committees	2	3
8.7	ERM Dashboard	3	3
8.8	Prudential Governance Framework	1	3
Total		24	33

Assessment of Deliverable 8.3

Deliverable 8.3 requires the enhancement of the Frameworks and Policies Management Policy (FPMP) to reduce policy proliferation and complexity and clarify of policy ownership.

Deliverable 8.3

As part of this Deliverable, Westpac was required to rationalise risk policies and create a policy register in JUNO to centralise governance of risk policies.

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles have been operationalised and are operating effectively to support the maintenance of the Target State, with sufficient evidence that processes and controls for sustainability are embedded in Westpac’s existing frameworks.

Activity 8.3.5

Embed Activity 8.3.5 requires Westpac to embed the FPMP, evidenced through a process to govern the remediation of policy gaps (including gaps identified, as part of Activity 8.3.3).

Risk Document Owners have completed more than 95% of actions identified to close policy gaps against the FPMP. Remaining actions are being managed through the Issues and Action Management Policy. Processes and controls have also been established to embed ongoing compliance with the FPMP.

After reviewing the Closure Pack for this Activity, Promontory requested further information and had a meeting with the Workstream regarding embedment of the FPMP. We were particularly interested in better understanding the controls that have been developed to facilitate Risk Document Owners’ compliance with the FPMP, their design and operating effectiveness testing outcomes, as well as understanding where the controls sit across the

3LoD. We also conducted sample testing across document lifecycle stages to test whether Risk Documents are being managed in accordance with the FPMP.

Based on our assessment of the Activity Closure Pack, the additional documentation we received, and the meetings held, we concluded that Westpac had taken appropriate steps to embed the FPMP which will be reviewed at least biennially.

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

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

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

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

Figure 5.9: WS9 Activity Status

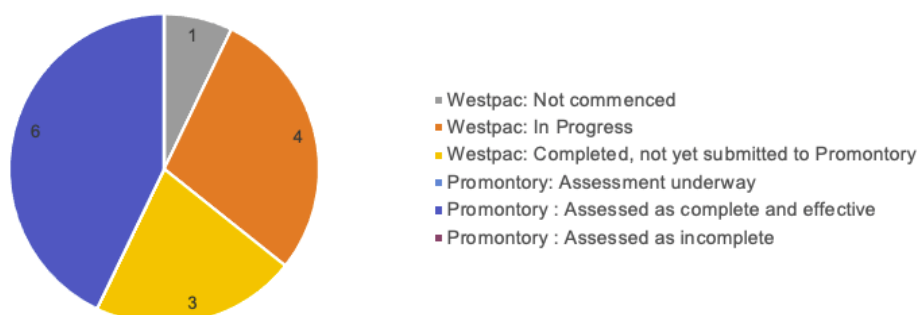


Table 5.10: WS9 Deliverables Progress

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

Assessment of Deliverable 9.3

Deliverable 9.3 requires enhancing data quality tools to better support data capture at the source, as well as data quality review and monitoring. It also includes establishing a support model that ensures the ongoing development and maintenance of JUNO.

Activity 9.3.2

Implement Activity 9.3.2 requires Divisions to receive data quality uplift training and user guides, in accordance with defined relevant data management standards, to support their data quality uplifts. This Activity also involves the implementation of the first tranche of JUNO system changes to support improved data quality as well as the first tranche of enhanced Data Quality Review (DQR) tools and the support model.

The first tranche of the DQR tools were built and communicated to the relevant stakeholders across the Group and accompanied by training sessions and materials. The design for the second tranche of the DQR tools has also been finalised and progress has been made in the implementation of the support model.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the build and interpretation of the DQR tools and the adequacy of the training delivered to the Divisions. A demonstration of the DQR tools was also conducted.

Based on our assessment of the Activity Closure Pack, the additional documentation we received, and the meetings held, we concluded that Westpac has delivered relevant training and guides to stakeholders on the usage of the DQR tools.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 9.3, we will review further updates to the DQR tools based on the feedback from users on the effectiveness of the tools and the appropriate data quality uplift responses, the approach taken to test the effectiveness of the DQR tools, the details of the relevant second line review and challenge, and the finalisation of the JUNO support model.

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

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

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

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

Figure 5.10: WS10 Activity Status

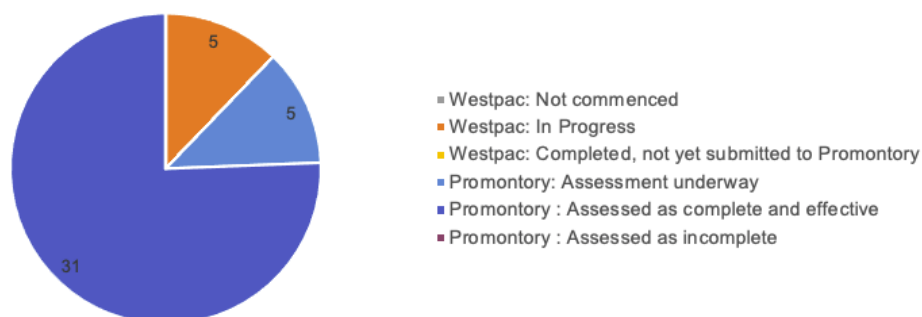


Table 5.11: WS10 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
10.1	Risk assessment and Value Chains	6	7
10.2	Group Controls Library	5	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	1	3
Total		31	41

Assessment of Deliverable 10.1

Deliverable 10.1 requires the establishment of value chains in accordance with the Group Value Chain Management Framework, including mapping obligations, risks and controls to the value chains and subsequent risk assessments. The Deliverable also requires the Group to strengthen risk assessment practices (inherent risk identification and residual risk assessment).

Activity 10.1.3

Implement Activity 10.1.3 requires that the LoBs perform a risk and obligations assessment in accordance with the Risk and Control Assessment (RCA) Policy and guidelines in the context of value chains (excluding SoX obligations).

As part of this, the LoBs are required to demonstrate compliance with the Value Chain Management Framework, with remediation plans documented to address areas of non-

compliance as required through periodic reviews. Enhanced reporting of end to end process based risk profiles is required to be provided to Divisional Risk Committees, with learnings documented through a FY22 Risk and Compliance assessment to inform FY23 priorities.

This Activity represents the second phase of modelling value chains within the LoBs and the associated risk and obligations assessments.

As part of this Activity, Westpac provided materials to demonstrate that:

- Policy and Standards were updated in January 2022 and again in July 2022.
- LoBs performed risk and obligations assessments in accordance with the RCA Policy.
- Remediation plans were documented to address areas of non-compliance.
- End to end risk process based risk profiles were reported to Divisional Risk Committees.
- A PIR was conducted in FY22 with learnings for improvements prioritised and actions developed with action owners assigned.

Based on our assessment of the Activity Closure Pack and the extensive supporting documentation, we concluded that Westpac had taken appropriate steps to implement Activity 10.1.3.

Implementing the value chain operating model is a complex part of Westpac's transformation and requires sustained and consistent efforts beyond the Program and will continue to mature over time. Accordingly, it was not unexpected that this Activity would raise exceptions and improvement areas, as evidenced through the PIR and a number of risk papers. The critical piece will be ensuring that the Bank maintains momentum to address those matters through clear actions with responsible action owners, and co-ordination across key themes.

As part of our assessment of subsequent Activities within Deliverable 10.1, Promontory noted that we will consider how Westpac:

- Reduces complexity to better manage delivering the Value Chain Framework and supporting collateral.
- Improves technology (through interconnection with WS9).
- Improves Value Chain governance and monitoring of risks and issues within the LoBs.
- Improves comprehension and application of the operating model.
- Better responds to capacity and capability constraints across the various business units, so that the model is sustainable over the longer term.

Activity 10.1.3a

Implement Activity 10.1.3a requires Corporate Functions to establish value chains on a prioritised basis and in accordance with the Value Chain Management Framework. Further, the Corporate Functions are to perform risk and obligation assessments in accordance with the Risk and Control Assessment Policy and guidance and in the context of Value Chains

(excluding SoX obligations). Corporate functions are to demonstrate compliance with the Value Chain Management Framework and to document remediation plans to address areas of non-compliance, as required through periodic reviews.

This Activity represents the initial phase of modelling Enabling Services within the Corporate Functions. As part of this Activity, Westpac provided materials to demonstrate that:

- Corporate Functions established five prioritised Enabling Services in alignment with the Value Chain Management Framework.
- The Risk and Control Assessment Policy and supporting guidance were updated to support Corporate Functions.
- The prioritised Enabling Functions each mapped and assessed material risks, obligations and controls in alignment with the Risk and Control Assessment Policy.
- Remediation plans were documented to address areas of non-compliance.
- End to end risk process based risk profiles were reported to Divisional Risk Committees.
- A FY22 PIR was conducted with learnings for improvements prioritised and actions developed with action owners assigned.

Based on our assessment of the Activity Closure Pack and the extensive supporting documentation, we concluded that Westpac had taken appropriate steps to implement Activity 10.1.3a.

This was the first phase of implementation within Westpac's prioritised Corporate Services. Accordingly it was not unexpected that this Activity would raise exceptions and improvement areas, as evidenced through several risk papers and the PIR. The critical piece will be ensuring that the Bank maintains momentum to address those matters through clear actions with responsible action owners, and co-ordination across key themes.

As part of our assessment of subsequent Activities within Deliverable 10.1 and as Westpac rolls out implementation across remaining in scope Enabling Services, Promontory noted that we will consider how Westpac:

- Reduces complexity to better manage delivering the Value Chain Framework and supporting collateral.
- Improves technology (through interconnection with WS9).
- Improves comprehension and application of the operating model.
- Better responds to capacity and capability constraints across the various business units, so that the model is sustainable over the longer term.

Assessment of Deliverable 10.2

Deliverable 10.2 requires the design and implementation of the Group Controls Library in the JUNO system to promote controls standardisation across Group. This includes creating new

controls using the Library and progressively delivering common and centralised controls on a risk-prioritised basis. The Activity also requires the development of a framework to introduce governance across the Controls Library and formalisation of clear roles and responsibilities relating to control management.

Activity 10.2.4

Implement Activity 10.2.4 requires the continuation of the roll-out of common and centralised controls progressively on a risk-prioritised basis. This Activity also includes formalising the process for identifying and assigning ownership for common and centralised controls and related roles and responsibilities.

Updates were made to the relevant policies, standards and guidance to formalise the process for identifying and assigning ownership and captured the related roles and responsibilities. Simultaneously JUNO was updated to support the operationalisation of the common and centralised controls. Since the last financial year, significant progress has been made in terms of the roll-out of common and centralised controls. There was a 277% increase in the count of master common controls and a 958% increase in the instances of common controls.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the approach and rollout of common and centralised controls and the mechanism to determine the effectiveness of the rollout in achieving the intended outcomes.

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 a structured approach to progressively roll out the common and centralised controls, including extensive engagement with the business. Westpac has also introduced a mechanism to capture feedback and insights on whether the controls are delivering the intended outcomes.

Assessment of Deliverable 10.3

Deliverable 10.3 requires performing control self-assessments (CSAs) on high-rated risks within each value chain/risk profile, and capturing the control gaps and/or weaknesses identified as issues in JUNO as well as the associated action plans. This deliverable also includes enhancing the Control Self-Assessment guidance and training to support the roll-out of control self-assessments.

Activity 10.3.2a

Implement Activity 10.3.2a requires Divisions to complete CSAs on key controls and logging issues in JUNO with clearly articulated closure plans documented to address identified control gaps/weaknesses, and Line 1 to perform periodic reviews to ensure CSAs and controls monitoring processes are adequate. This Activity also requires identifying lessons learned to inform FY23 CSA planning and prioritisation activities and the monitoring controls across the CSA lifecycle.

CSAs have been completed on 99.8% of controls and issues were captured as part of the monitoring by Line 1, Line 2 and policy owners. Lessons were identified as part of a PIR and Divisions initiated actions and strategies to improve their control environments through standardisation and rationalisation of their controls.

Based on our assessment of the Activity Closure Pack and supporting documentation, we concluded that Westpac had taken appropriate steps to implement Activity 10.3.2a.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 10.3 we will consider the management actions to address the issues from the CSAs and the approach to monitoring conducted across the 3LoD. We will also consider the actions implemented to address the findings of the PIR and with respect to the FY23 CSA Plan priorities.

5.5.4. Workstream 11 – Assurance (WS11)

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

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

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

Figure 5.11: WS11 Activity Status

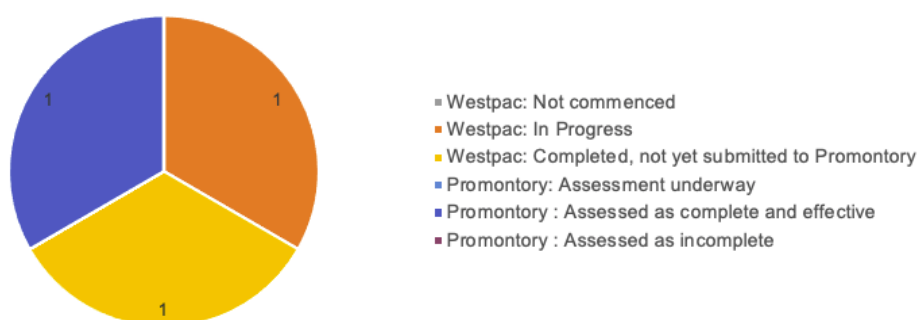


Table 5.12: WS11 Deliverable Progress

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

5.5.5. Workstream 12 – Compliance Management (WS12)

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

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

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

Figure 5.12: WS12 Activity Status

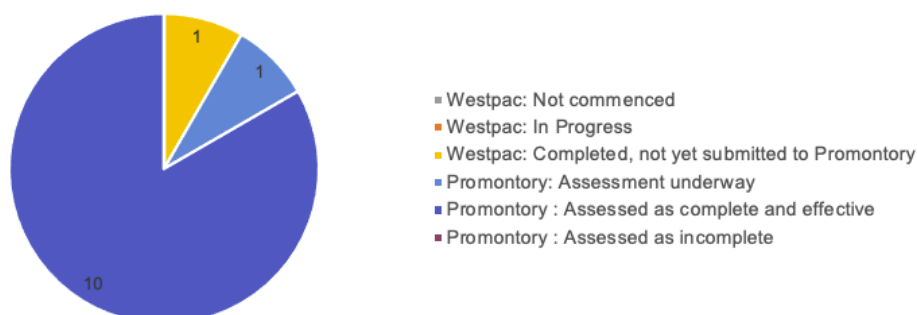


Table 5.13: WS12 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
12.1	Compliance Obligations management	2	3
12.2	Breach reporting	3	3
12.3	Regulatory commitments	2	3
12.4	Managing regulatory developments	3	3
Total		10	12

Assessment of Deliverable 12.2

Deliverable 12.2 requires the establishment of an effective breach reporting for compliance-related incidents, which reflects changes in ASIC breach reporting requirements.

Deliverable 12.2

As part of this Deliverable, Westpac established a breach reporting operating model leveraging the existing incident management and governance framework and made improvements in JUNO to align, where applicable, to the ASIC portal information requirements for breach reporting.

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles have been operationalised and are operating effectively to support the maintenance of the Target State, with sufficient evidence that processes and controls for sustainability are embedded in Westpac's existing frameworks. Although not a condition to closure, Promontory has noted it would like to understand how upcoming changes to the operating model will be taken into account as part of the ongoing operation of the sustainability principles.

Activity 12.2.3

Embed Activity 12.2.3 involves establishing an operating rhythm (process and frequency) to verify that breach reporting is embedded and effective by considering insights on breach reporting practices and feedback loops (includes the identification, and associated implementation, of potential areas for improvement).

Westpac noted that there has been significant reduction in the average number of calendar days to notify regulators of a reportable breach from the time the incident was identified. Feedback loops on the breach reporting process are captured through multiple avenues and improvement actions have been implemented under a continuous improvement rhythm.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the continuous improvement opportunities identified and the actions implemented, evidence of the management's actions implemented to address the Group Audit issues and evidence of the operationalisation of the sustainability principles. Promontory also selected a sample of compliance incidents captured during the embed phase to test the effectiveness and timeliness of Westpac's breach reporting operating model.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the results of our sample testing, we concluded that Westpac has taken appropriate steps to implement continuous improvement actions to enhance the breach reporting operating model and process, management actions have been implemented to address Group Audit issues previously raised and there is evidence to support the operationalisation of the sustainability principles.

Assessment of Deliverable 12.4

Deliverable 12.4 requires the implementation of a process to provide reporting which gives the Board visibility of emerging legal and regulatory developments on an annual cycle.¹²

Deliverable 12.4

As part of this Deliverable, Westpac implemented a new report tabled at the BRiskC (previously tabled at the BLRCC prior to its dissolution) that sets out key emerging regulatory themes relevant to the Group. This provides the Board with additional oversight of emerging regulation.

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles have been operationalised and are operating effectively to support the maintenance of the Target State, with sufficient evidence that processes and controls for sustainability are embedded in Westpac's existing frameworks.

Activity 12.4.3

Embed Activity 12.4.3 requires reporting on emerging legal and regulatory developments provided to the Board on an annual reporting cycle to be embedded, with Board feedback on the effectiveness of reporting reflected.

Following a PIR of the March 2021 Emerging Compliance, Regulatory and Legal Themes Paper, linkages between the Paper and the Regulatory Change Calendar were strengthened through changes to underlying procedures. In addition, an Emerging Insights Register was developed to track regulatory developments on a regular basis for inclusion within the Paper.

An additional cycle of the Emerging Compliance, Regulatory and Legal Themes Paper was tabled at the BLRCC in January 2022, with feedback collected from the BLRCC Chair to support continuous improvement in future cycles.

Based on our assessment of the Activity Closure Pack, we concluded that there is an effective process in place to operate and continuously improve Board reporting on legal and regulatory developments.

¹² Promontory notes that the frequency of this cycle has been updated since our assessment of Activity 12.4.2, and was previously set at a six-monthly cycle at the time of our Fifth Report.

5.6. Conduct Theme Progress

Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of ten of the 16 conduct Theme Activities have been assessed as complete and effective.

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

5.6.1. Workstream 13 – Conduct Risk (WS13)

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

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

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

Figure 5.13: WS13 Activity Status

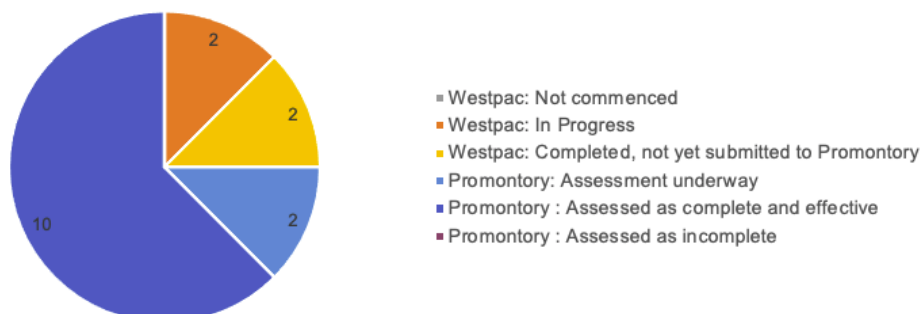


Table 5.14: WS13 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
13.1	New Code of Conduct	4	5
13.2	Conduct Risk training and guidelines	3	5
13.3	Conduct Risk 3LoD target operating model	2	3
13.4	Conduct Risk assessment and reporting	1	3
Total		10	16

5.7. 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.

5.7.1. Workstream 14 – Customer Complaints (WS14)

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

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

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

Figure 5.14: WS14 Activity Status

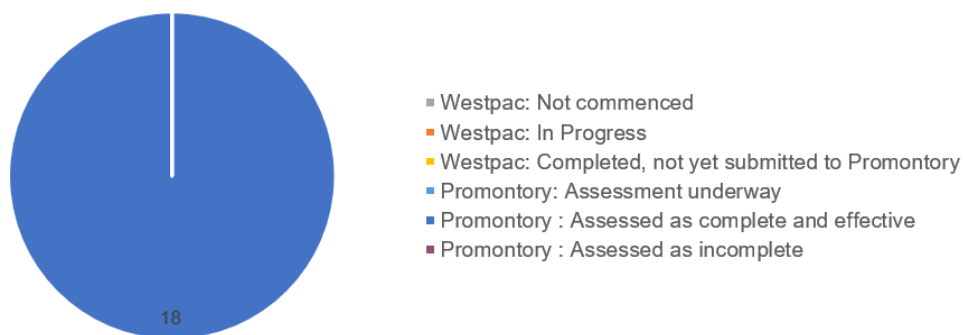


Table 5.15: WS14 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
14.1	Complaints Management changes	3	3
14.2	Operationalisation of updated Customer Complaints Policy	5	5
14.3	Complaints Management System, Release 1 (Main Bank excluding Wealth)	6	6

#	Deliverable	Closed Activities	Total Activities
14.4	Release 2 of Complaints Management System (Divisions within Wealth and additional features)	4	4
Total		18	18

5.8. Technology and Data Risk Theme Progress

During the Reporting Period Promontory assessed two 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 18 of the 25 technology and data Theme Activities had been assessed as complete and effective.

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

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

5.8.1. Workstream 15 – Technology Risk Governance (WS15)

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

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

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

Figure 5.15: WS15 Activity Status

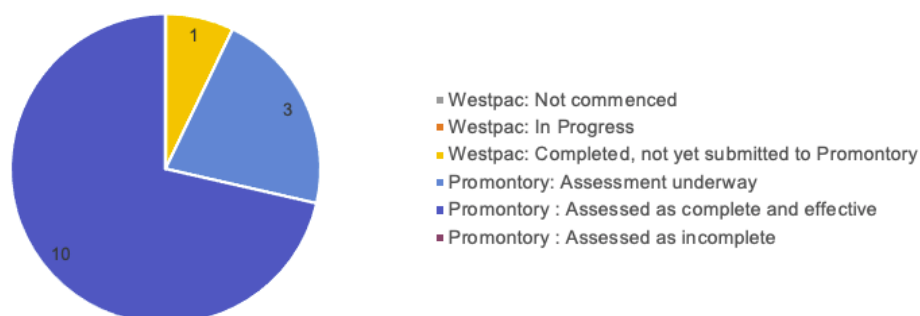


Table 5.16: WS15 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
15.1	Identification and measurement of technology risk (RAS and KRIs)	3	3
15.2	Technology service risk	3	5
15.3	Technology roadmap prioritisation and investment governance	2	3
15.4	Technology risk oversight and reporting	2	3
Total		10	14

Assessment of Deliverable 15.1

Deliverable 15.1 requires the definition and documentation of technology risk appetite, with focus on the definition of key risk indicators and risk appetite thresholds.

Activity 15.1.3

Embed Activity 15.1.3 requires the rollout of the technology obsolescence risk appetite measures into regular governance forums, such as Divisional Risk Committees, to inform decision making. It also included an increased focus on out of support issues and the development of remediation plans in response.

Westpac provided evidence of Technology Risk reporting over Q4 FY22 and Q1 FY23 for all of the in-scope Divisional Risk Committees. It also updated the Technology Risk Appetite Statement (RAS) standard operating procedure, to include detail on the calculation, review and usage of Technology RAS measures for each Division.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had taken appropriate steps to integrate the Technology obsolescence risk appetite measures into

Divisional risk reporting and actions have been recorded in response to technology obsolescence measures.

5.8.2. Workstream 16 – Data Risk Governance (WS16)

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

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

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

Figure 5.16: WS16 Activity Status

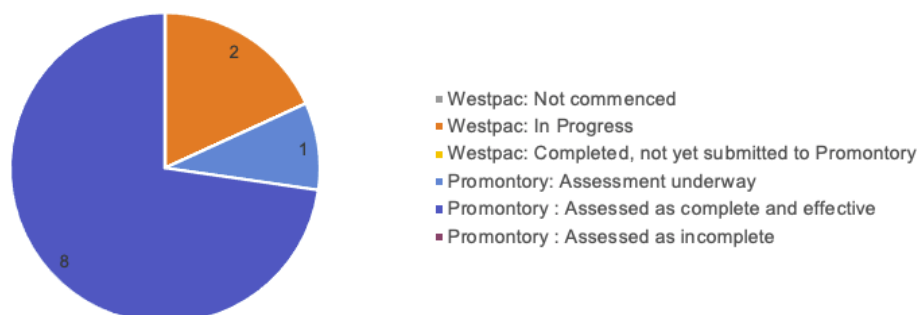


Table 5.17: WS16 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
16.1	Data oversight and reporting	3	5
16.2	Tooling and execution	2	3
16.3	Incident definition and rating	3	3
Total		8	11

Assessment of Deliverable 16.3

Deliverable 16.3 requires the implementation of a framework and definitions to categorise data incidents and data problems, and their ongoing management.

Activity 16.3.3

Embed Activity 16.3.3 requires that data operations for the management of data incidents and data problems are embedded across the group, and a review is performed across Divisions to ensure that processes are consistent.

A review over the completed activities from 16.3.2 was performed both internally and by an external consultant to identify any opportunities for improvement. As part of this work, Westpac identified seven key enhancement areas which were shared with the Enterprise Information Management Council Priority Working Group and the Divisional Implementation Lead Clinic before being integrated into an activity plan. In addition, reinforcement activities and communications were shared across the Group, alongside updated supporting documents.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the uplifted guidance and training in relation to data incidents, the improved data problem processes and engagement with stakeholders. We were particularly interested in the extent to which feedback had been collected among stakeholders and integrated into the work performed.

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 embed operations for the management of data incidents and problems.

5.9. Financial Risk Classes Theme Progress

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

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

5.9.1. Workstream 17 – Credit Risk Governance (WS17)

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

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

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

Figure 5.17: WS17 Activity Status

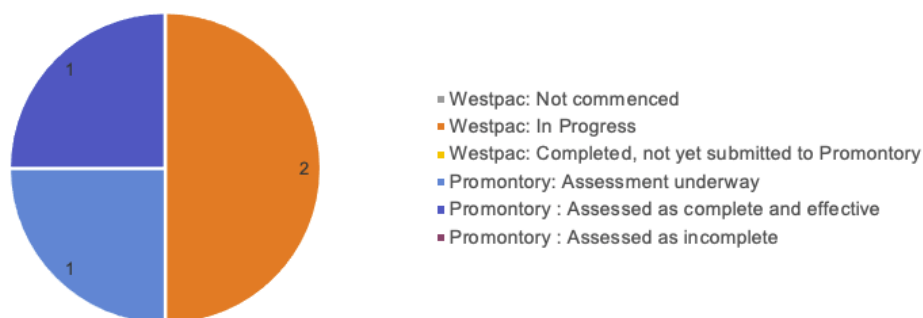


Table 5.18: WS17 Deliverable Progress

#	Deliverable	Closed Activities	Total Activities
17.1	Credit Risk governance	1	4
	Total	1	4

5.9.2. Workstream 18 – Market Risk Governance (WS18)

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

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

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

Figure 5.18: WS18 Activity Status

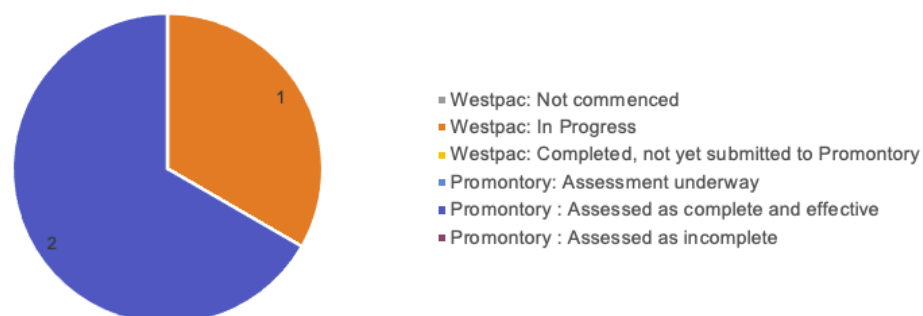


Table 5.19: WS18 Deliverable Progress

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

3 May 2023

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

Assessment of Deliverable 18.1

Deliverable 18.1 requires a review and enhancement as required of the Market Risk Framework and practices. Particular focus is placed on controls for compliance with prudential standards and reporting standards, external reporting, and alignment with the RMF and 3LoD model.

Activity 18.1.2

Implement Activity 18.1.2 requires several key changes to Westpac's governance of Market Risk to be implemented, including:

- the revised Market Risk Management Framework (MRMF);
- improvements to compliance plans, prudential returns and the 3LoD Model for Market Risk;
- monitoring and reporting for market risk-related Prudential Standard compliance;
- improvements against the updated Prudential Obligations Framework; and
- revised processes for capturing market risk-related policy exceptions.

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

- implementation of recommendations made under Design Activity 18.1.1 for the uplift of the MRMF;
- implementation of a revised 3LoD Target State for the Initial Margin Operating Model;
- closure of issues related to findings raised through independent reviews of market risk-related prudential standards compliance under Design Activity 18.1.1;
- completion of the revised Prudential Attestation process for several APRA Prudential Standards;
- further onboarding of Market Risk Critical Data Elements (**CDEs**) through documentation of data flows, identification of controls and control weaknesses; and
- establishment of a policy exception management framework for market risk-related prudential standards.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the closure of issues raised during independent reviews of Westpac's MRMF, the

decommissioning of the Dealing Room Policy, the onboarding of Market Risk CDEs, and the extent to which WNZL was included within the scope of work performed.

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 market risk governance in accordance with the above areas.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 18.1, we will consider the progress in closing the remainder of the issues identified during Design Activity 18.1.1 and prospective changes to the 3LoD Model for trader conduct.

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

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

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

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

Figure 5.19: WS19 Activity Status

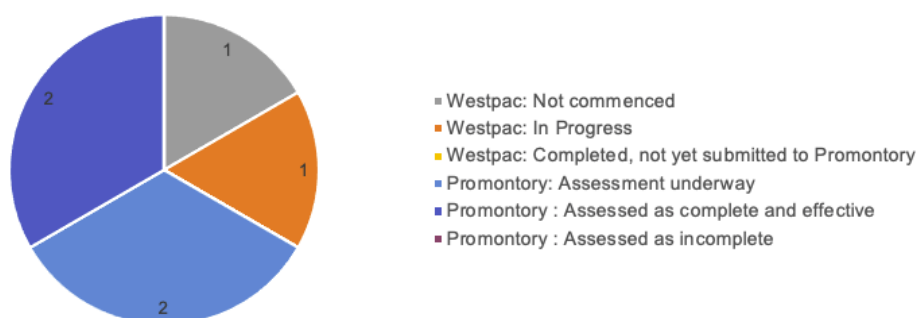


Table 5.20: WS19 Deliverables Progress

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



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