



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

Prepared by Promontory Australia, a division of IBM

Second Report

28 July 2021

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Promontory Australia, a division 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 (EU) entered into with the Australian Prudential Regulation Authority on 3 December 2020.

This Second Report is provided solely for the purpose of Promontory's assurance over the status of compliance with the EU 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 Second 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
19 Workstreams	Westpac's 19 Workstreams in the Integrated Plan as set out in Section 1.2 of this Report
3LOD	3 Lines of Defence
Accountable Person(s)	As defined in the <i>Banking Act 1959</i> (Cth)
ADI	Authorised Deposit-taking Institution
AML / CTF	Anti-Money Laundering and Counter-Terrorism Financing
APRA	The Australian Prudential Regulation Authority
AUSTRAC	The Australian Transaction Reports and Analysis Centre
BAC	Board Audit Committee
BAU	Business as usual
BCM	Business Controls and Monitoring
BEAR	APRA's Banking Executive Accountability Regime
BLRCC	Board Legal, Regulatory and Compliance Committee
BRC	Board Remuneration Committee
BRiskC	Board Risk Committee
CEO	Chief Executive Officer
CGA Reassessment	Westpac's June 2020 Culture Governance & Accountability Reassessment
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
CMF	Consequence Management Framework
CORE Program or the Program	Westpac's Customer Outcomes and Risk Excellence program
CRO	Chief Risk Officer
CSA	Control Self-Assessment
Deliverable Target State	Describes the outcomes to be achieved by completing a Deliverable

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Divisions	Westpac's business is comprised of divisions, including Consumer & Business, Westpac Institutional Bank, Westpac New Zealand, Treasury and Core support
ET	Executive Team
EU	Court Enforceable Undertaking
FCC&C	Financial Crime, Compliance & Conduct
First Report	Promontory's first report on the Independent Review of Westpac Banking Corporation's Integrated Plan, dated 5 March 2021
FTE	Full-time equivalent
GE	Group Executive (generally reporting to the Chief Executive Officer)
GM	General Manager (generally reporting to a GE)
GTO	Group Transformation Office
HR	Human Resources
Integrated Plan or Plan	The plan Westpac has established in order to address APRA's concerns and to uplift Westpac's risk governance
Interdependency	A linkage across Activities in different Workstreams within the Integrated Plan
IT	Information Technology
JUNO	Westpac's integrated risk and compliance management system
Line 1	Westpac's first line of defence, the front line and operational Divisions
Line 2	Westpac's second line of defence, the Group Risk function
Line 3	Westpac's third line of defence, the Internal Audit function
LOB	Line of Business
MPS	Master Program Schedule
Original CGA Review	Westpac's 2018 Culture Governance and Accountability self-assessment
Original CORE Program	The July 2020 Customer Outcomes and Risk Excellence Program

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Outcome Measures	The qualitative or quantitative measures used to assess whether the desired outcome of the Deliverable, Workstream or Program has been achieved
Package	Westpac's delivery mechanism that groups Activities in the Integrated Plan over a coming 90-day period to create a consolidated view of Divisional change requirements over that period
Program Dependency	A linkage between a Workstream from the Integrated Plan and another program of work outside of the Plan
Promontory	Promontory Australia, a division of IBM
PVB	Purpose, Values and Behaviour
QBR	Quarterly Business Review
RAS	Risk Appetite Statement
RCM	Risk & Control Management
Risk Remediation Activities	Activities that Westpac is undertaking, or will undertake, as part of its Risk Governance Remediation Agenda
RMF	Risk Management Framework
RMS	Risk Management Strategy
ROC	Remuneration Oversight Committee
Reporting Date	30 June 2021
Reporting Period	This Report covers the period 1 February 2021 to 30 June 2021
Second Report or the Report	This report, Promontory's second report on the Independent Review of Westpac Banking Corporation's EU Program
SOAs	Statements of Accountability
SteerCo	The Westpac executive-level Steering Committee for the CORE Program
STVR	Short-Term Variable Remuneration
Westpac, WBC or the Bank	Westpac Banking Corporation
WNZL	Westpac New Zealand Limited
WS	A specific Workstream in CORE, e.g., WS1 refers to Workstream Number 1 on Board Risk Governance

Executive Summary

This is the second report (**Second Report or Report**) required of Promontory as Independent Reviewer under clause 15 of the Enforceable Undertaking (**EU**) from Westpac Banking Corporation (**Westpac, WBC or the Bank**) to the Australian Prudential Regulation Authority (**APRA**) dated 3 December 2020. The Report covers Westpac's activities related to the EU during the period 1 February 2021 to 30 June 2021 (**Reporting Period**). It follows our first report (**First Report**) dated 5 March 2021.

Westpac is required to prepare and implement a plan (**Integrated Plan or Plan**) to remediate risk governance deficiencies as set out in the EU. Promontory's First Report provided an assessment of the development and design of the Integrated Plan. This report contains our observations on the initial activities and progress in the implementation of the Integrated Plan. The remediation program set out in the Plan is known as the Customer Outcomes and Risk Excellence Program (**CORE Program or Program**).

As at 30 June 2021 (the **Reporting Date**), the CORE Program was on-track in terms of meeting timelines for the delivery of Activities. There was considerable activity during this Reporting Period, and out of a total of 327 Activities in CORE, 104 Activities had been submitted to Promontory for assessment by the Reporting Date.

As expected, there has been a focus on Design activities in this initial stage of the Program. As at the Reporting Date, Westpac had completed work on 72 of the 114 Design Activities and started work on a further 40 Activities. As at the Reporting Date, Promontory had assessed 50 Design Activities as complete and effective.

Implement activities are also underway. By the Reporting Date, Westpac had completed 37 Implement Activities, with a further 56 commenced. Promontory had assessed 17 of those Implemented Activities as complete and effective.

At the Reporting Date, limited work had commenced on Embed activities, with four completed and a further 18 commenced. This was consistent with the early phase of the Integrated Plan.

The progress of the Program is summarised below:

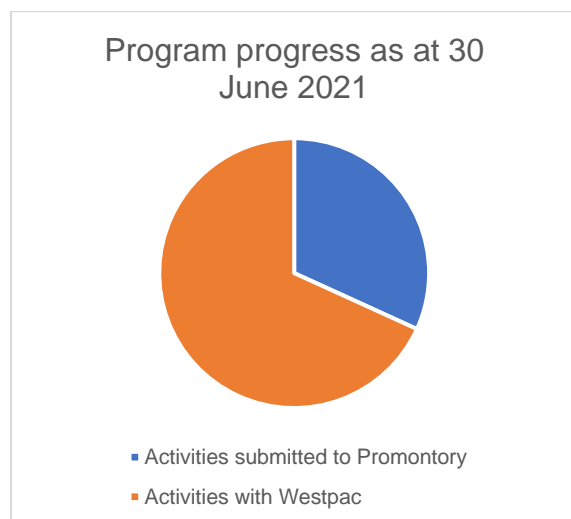


Figure 1 Program progress as at 30 June 2021.

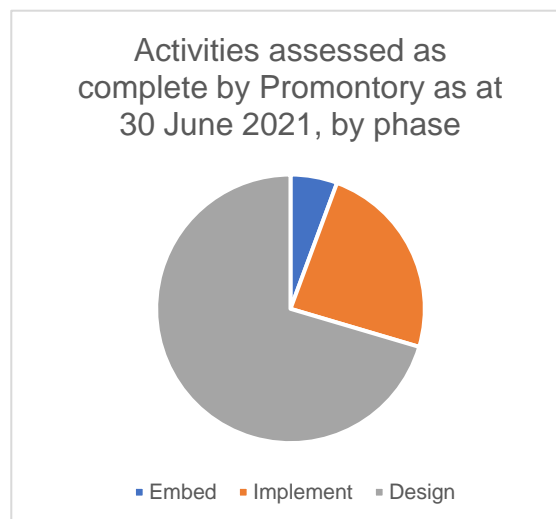


Figure 2 Activities assessed as complete by Promontory as at 30 June 2021, by phase.

Westpac continued developing the Program's foundations during the Reporting Period such as governance arrangements and reporting. These aspects of Program infrastructure have supported good progress, particularly on design activities. However, as the CORE Program under the EU is at an early stage of implementation, it is too early to judge how effective these will be in practice in responding to execution challenges over the longer term. CORE is a broad and ambitious reform plan, in which cultural change is a major component, so it needs to be approached as a marathon rather than a sprint. As a result, the key supporting elements of the Program, such as governance and communications, will need to be subject to regular assessment to ensure they remain fit for purpose over the life of the Program.

This longer-term view does not reduce the need to ensure that CORE is given a high priority and a sense of urgency. On this point, the adherence to timeframes for Program deliverables and the focus on outcomes in this early part of the Program is a positive indication of the commitment that will be required for effective implementation. The willingness and ability to consistently call out areas that are facing risks is also important for the ultimate success of the Program, and this will need to remain a feature of Program oversight and management.

The breadth of the CORE Program underscores the importance of governance and accountability. In particular, Board and Senior Executive accountability, oversight and support are critical. Accountabilities for delivery of CORE were further articulated during the Reporting Period and Promontory will continue to monitor them through the application of the remuneration and consequence management frameworks in coming remuneration cycles.

Communication from the leadership of the Bank about the Plan and its objectives were apparent during the Reporting Period, and this will need to remain strong and visible to ensure longer-term momentum and to reduce the risks of change fatigue. It will also be important for

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the 'tone from the top' to remain clear and compelling, as commitment from the leadership will have to be communicated in a sustained and ongoing manner. This 'tone from the top' will need to be supported by engagement across middle management to support the sustainability of the Program.

Program structure and management continued to develop during the Reporting Period. For example, Westpac worked to ensure that interdependencies across different workstreams are categorised consistently, which should allow for better tracking and management of this key element of the Plan.

Resourcing to enable effective Program delivery has emerged as an early challenge. This is not surprising in a tight market for risk and compliance capability and expertise. This was a key theme in governance forum discussions during the Reporting Period, with consideration being given to both internal and external sources of capacity and expertise to address Program requirements. Managing resourcing risks, including the balance of internal and external resources, is important for both Program implementation and sustainability of Program outcomes. Given that the market situation is unlikely to improve significantly in the near future, resourcing will need to remain a focus of attention for the Program.

As the Program moves to a greater focus on Implement and Embed Activities, the challenges of delivery will evolve. One such challenge will relate to the move in these later phases away from 'centralised' design work to decentralised implementation in business Divisions, where resources and competing workloads will need to be managed at the Divisional level to ensure that timelines are met. Program governance will need to demonstrate a capacity to deal with emerging risks and external changes as implementation gathers pace.

More broadly, Westpac will need to manage the impact on the Program from competing demands associated with the range of significant organisational reform programs currently underway as well as structural change such as the merger of the Business and Consumer Divisions which took effect on 22 March 2021. In this context, we will be keen to observe and understand how the Program is managed and monitored to ensure that it receives the right attention, support and resources for success.

1. Introduction

1.1. Background

On 3 December 2020, APRA agreed to an EU from Westpac pledging to lift substantially its efforts to address risk governance deficiencies.¹

The EU arose from the findings of APRA's risk governance review of Westpac that commenced in December 2019 in response to the allegations by the Australian Transaction Reports and Analysis Centre (**AUSTRAC**) of Anti-Money Laundering and Counter-Terrorism Financing (**AML/CTF**) compliance issues.² APRA also examined risk governance reviews conducted by Westpac and third parties during 2020, including Westpac's own June 2020 Culture, Governance and Accountability Reassessment³ (**CGA Reassessment or the Reassessment**) as well as the CORE Program that was created in July 2020 following the Reassessment.

Under the EU, Westpac was required to establish a remediation plan – the Integrated Plan – to address APRA's concerns with the Bank's progress in remediating weaknesses and to uplift its risk governance. The remediation program set out in the Plan builds on and substantially expands Westpac's original CORE Program to cover both financial and non-financial risk.

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

Promontory delivered its first independent assurance report under the EU on 5 March 2021. The First Report focused on providing initial assurance over the status of compliance with the EU in relation to the development of the Integrated Plan.

This is Promontory's Second Report on Westpac's response to the EU. This Report covers the period from 1 February 2021 to 30 June 2021. This includes Activities delivered during February 2021 under the CORE Program, before the commencement of the Integrated Plan. The status of the Program is reported as at 30 June 2021. The Integrated Plan is expected to run until December 2023.

¹ See APRA media release of 3 December 2020, "APRA agrees to Enforceable Undertaking from Westpac to address risk governance weaknesses", available at www.apra.gov.au.

² Chief Executive Officer of the Australian Transaction Reports and Analysis Centre v Westpac Banking Corporation ACN 007 457 141, 20 November 2019.

³ See "Reassessment of the Culture, Governance and Accountability Remediation Plan" available at Westpac.com.au.

1.2. The Integrated Plan

As noted in our First Report, the Integrated Plan sets out to address the root causes of Westpac's risk governance weaknesses as required under the EU. These include:

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

The Integrated Plan aims to ensure that risk is understood and proactively managed in Westpac, and the execution of any remediation activities is timely and effective. Ultimately it should ensure that Westpac delivers better customer outcomes.

On 26 February 2021, Westpac delivered its Integrated Plan to APRA. It expanded from the original CORE Program to 19 Workstreams,⁴ covering the following topics.

Table 1.2. The Integrated Plan

Workstream No.	Workstream Title
1	Board Risk Governance
2	Executive Culture & Capability
3	Risk Culture
4	Organisational Design
5	Remuneration & Consequence Management
6	Risk Roles & Capability
7	Transformation Capability & Delivery
8	Risk Management Framework
9	Non-Financial Risk Reporting & JUNO Functionality
10	End-to-end Risk & Control Environment
11	Assurance
12	Compliance Management
13	Conduct Risk
14	Customer Complaints
15	Technology Risk Governance
16	Data Risk Governance
17	Credit Risk Governance
18	Market Risk Governance
19	Liquidity & Capital Adequacy Risk Governance

⁴ In this Report we use "WS" followed by a number to refer to a particular CORE Workstream, e.g., WS 1 refers to Workstream Number 1 on Board Risk Governance.

Each Workstream comprises a number of Deliverables, and each Deliverable in turn comprises a number of Activities, classified as either a Design, Implement or Embed Activity. In total there are 80 Deliverables made up of 327 Activities across the 19 Workstreams.

Since our First Report, the total number of Activities in the Integrated Plan increased from 323 to 327. This increase reflects the expansion of the scope of the Integrated Plan to include two additional Activities in WS 1 and two additional Activities in WS 5.⁵ The additional Activities relate to Westpac's executive remuneration governance practices, including Board involvement in the approval and implementation of the approach to variable compensation.

Each of the 19 Workstreams identifies interdependencies within the Program and dependencies with additional programs underway in Westpac to support successful delivery in accordance with the EU. Promontory's First Report outlined the development of the Integrated Plan and its governance and accountability arrangements. This Second Report provides details of the design phase and the beginnings of the implementation phase of the CORE Program under the Integrated Plan and the effectiveness of governance and accountability arrangements in practice to the end of June 2021.

1.3. Promontory's Independent Review Approach

Our role as independent reviewer includes:

- assessing whether the Integrated Plan's completed Activities are complete and effective;
- assessing the overall implementation of the Integrated Plan, with an emphasis on project delivery risks, including any changes to timeframes; and
- assessing the management of execution risks and the quality of Westpac's governance arrangements.

Promontory has a structured process outlined in Chapter 6 for assessing completion of Activities. In addition to assessing completed Activities, Promontory also monitors and assesses the governance arrangements over the implementation of the Plan and accountability for execution of the Plan.

1.4. Report Structure

This Second Report is structured as follows:

- **Chapter 2** outlines Program progress over the Reporting Period and summarises Promontory's key observations on Program challenges for the future.

⁵ Activities 1.6.1 and 5.1.1 relate to the Design, and Activities 1.6.2 and 5.1.5 to the Implementation, of the approach to executive remuneration including enhanced Board-level involvement.

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- **Chapter 3** summarises Program governance and management including board and director oversight and Program governance arrangements.
- **Chapter 4** summarises Program delivery.
- **Chapter 5** summarises accountability for the Integrated Plan.
- **Chapter 6** provides some details about Promontory's assessment of completed Activities.

2. Program Progress

2.1. Introduction

As at the Reporting Date, the CORE Program was on track, with Activities having met planned timelines and Closure Packs delivered to Promontory within agreed timeframes. The Program, as reported to the June governance meetings was rated amber, primarily due to concerns with future resourcing and scheduling of work.

2.2. Activity Completion and On Track Status

By the Reporting Date, out of the total 327 Activities, Westpac had delivered to Promontory a total of 104 Activities (65 Design Activities, 35 Implement Activities and four Embed Activities) across 15 of the 19 Workstreams. Of these, Promontory had assessed 71 Activities as complete and effective, while the remaining 33 Activities were in the course of being assessed.

The focus in the early part of the CORE Program has been on the design aspects of the risk governance reforms. As at the Reporting Date, out of 114 Design Activities, Westpac had completed work on 72 Activities, started on a further 40 Activities and was yet to commence work on two Activities. As at the Reporting Date, Promontory had completed its assessment of 50 Design Activities.

Implementation work is also tracking to plan, albeit at an earlier stage. As at the Reporting Date, out of 128 Implement Activities, Westpac had completed work on 37 Activities, started on a further 56 Activities and was yet to commence work on 35 Activities. As at the Reporting Date, Promontory had completed the assessment of 17 Implement Activities and assessed them as complete and effective for the Program.

Embed work has commenced but given the early stage of the Program, has been relatively limited to date. As at the Reporting Date, out of 85 Embed Activities, Westpac had completed work on four Activities, started on a further 18 Activities and was yet to commence work on 63 Activities. As at the Reporting Date, Promontory had completed the assessment of the four Embed Activities as complete and effective for the Program.

During the Reporting Period, a total of 65 Activities (44 Design Activities, 17 Implement Activities and four Embed Activities) were assessed as complete and effective while, in the previous Reporting Period, a total of six Design Activities were assessed as complete and effective.

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Table 2.2. Program progress by Workstream as at the Reporting Date

WS	Activities with Westpac			Activities submitted to Promontory		Total
	Work not commenced	Work in Progress	Completed but not yet submitted to Promontory ⁶	Assessment underway	Assessed as complete and effective	
1	11	12	0	3	4	30
2	3	5	1	0	3	12
3	5	5	0	5	8	23
4	2	9	1	2	6	20
5	0	4	0	6	7	17
6	16	12	2	0	6	36
7	4	14	2	1	10	31
8	11	10	1	5	5	32
9	6	5	0	0	0	11
10	11	8	0	5	7	31
11	2	2	0	0	0	4
12	6	5	0	0	1	12
13	6	5	1	1	2	15
14	1	3	0	3	11	18
15	7	4	0	0	1	12
16	2	6	1	2	0	11
17	2	1	0	0	0	3
18	2	1	0	0	0	3
19	3	3	0	0	0	6
Total	100	114	9	33	71	327

⁶ There is a time gap between the Activity's completion by Westpac and the date of submission of the Closure Pack to Promontory due to the time taken to develop the Closure Pack. Westpac aims to complete Closure Packs within one month after the Activity's completion for Design Activities and within two months for Implement and Embed Activities.

2.3. Ongoing Challenges and Focus Areas

In this section, we briefly summarise our key observations on the Program's progress and highlight areas where Westpac and the Program may need to focus on in the period ahead.

Governance

This is a far-reaching Program and it will take time to achieve and embed Program outcomes. At this early stage of the Integrated Plan, Westpac has rated the Program as amber, due to potential resourcing and scheduling issues. In this context, the key governance forums, including at the Board level, need to ensure that:

- the Program has a high and ongoing priority and that there is a continuation of the commitment to clear communication about the intended outcomes and benefits of the Program;
- within the Program, early attention is given to the more challenging and broad-reaching reforms, especially those that require significant behavioural change (see below); and
- there is support for a consistent and open approach to calling out Program risks and challenges so that these can be dealt with effectively and early.

Sustainability and a Focus on Outcomes

The Program has commenced with sound foundations and with an emphasis on completing tasks within the planned timeframes. Promontory has also started to observe a shift in emphasis within governance forums towards ensuring that the Program achieves its desired outcomes. This is appropriate and it will be particularly important that Westpac continues to demonstrate a focus on achieving outcomes in a sustainable manner and addressing the root causes of its risk governance deficiencies, rather than completion of any Activity as an end in itself.

Resourcing

Resourcing is a key focus and through its Program oversight, Westpac has identified resourcing and scheduling challenges. This is not simply a question of the quantum of resources – in the current market environment there is high demand for risk management capability and expertise. Westpac is establishing new processes with a focus on assessing and testing resourcing needs in the context of schedules and budgets. Continued focus on identifying resourcing needs (both at the Workstream and Divisional level), related gaps and their impact on the implementation of the Integrated Plan will remain an essential planning requirement throughout the life of the Program.

Moving from Design to Implement and Embed

As the Program moves to a greater emphasis on Implement and Embed Activities, the challenges in delivering Activities will change. One such challenge will relate to the move in these later phases away from 'centralised' design work to decentralised implementation in

business Divisions, where resources and competing workloads will need to be managed at the Divisional level to ensure that timelines are met. The focus of Program governance and oversight will need to evolve in response to this change.

Prioritising more challenging and complex components of the Plan

The CORE reforms are broad-reaching, long-term and complex, and they also require significant behavioural change. Westpac would benefit from identifying and prioritising those areas which are likely to face the greatest challenges or take the longest time to implement. An example of this in Promontory's experience is rebuilding and strengthening of the 3LOD model. Progress in these areas can lag if not given priority in a large Program like CORE.

Dependencies - managing CORE alongside other Bank programs

It will be important to ensure that the CORE Program is given appropriate attention in the light of significant impacts of other changes underway in the Bank – be they structural changes like the merger of the Business / Consumer Divisions or other programs such as the restructure of businesses to better reflect end-to-end process lines. This includes the need to ensure that any additional complexities around dependencies are carefully managed.

Given this context it will also be important that Westpac actively monitors and addresses change fatigue, both within the CORE Program and across the range of other reforms underway within the Bank.

3. Governance and Management

3.1. Observations

Large transformational programs such as CORE require sound and continuous governance and management.

Promontory has observed a keen focus in governance forums on ensuring Program timeframes are met. This is important, as the breadth of the Program will require discipline around delivery dates. It will also be critical to ensure that the focus on timeframes supports the provision of sufficient time to properly embed reforms, including broader behavioural and cultural changes. The challenge for governance bodies is to balance 'speed' and 'quality' – to apply appropriate pressure for timely delivery while also recognising that achieving effective and sustainable implementation requires adequate time. This challenge is likely to increase as the Program shifts from 'centralised' design work to decentralised implementation.

Governance forums, at both Board and management level have, to date, had a strong focus on program status. Given past concerns about Westpac's execution capability, this is appropriate. There was evidence of consistent and constructive challenge with respect to Program challenges and blockers, with actions documented, monitored, and revisited throughout the Reporting Period. In this context, it is also important that there is clear messaging from leadership about the desirability of a consistent and open approach to calling out program risks and 'less than green' ratings. This is essential for the longer-term health of the Program.

Westpac has been responsive to the need to enhance governance forums. It recognised the need to improve engagement between Workstreams and Divisions, covering elements such as engagement plans, scheduling and change management. Westpac has introduced the Detailed Design Forum, established Deep Dives, and reviewed its Packages approach⁷ to address this issue.

Across the oversight forums:

- We will be looking over time at how Westpac ensures committees are achieving their objectives and reviews the Program management structure and, where appropriate, seeks to simplify and rationalise forums.
- At this early stage we are of the view that there is an opportunity across Workstream and Divisional forums to focus more on sharing challenges and how these are being addressed.

⁷ Further details appear in section 3.4.3 below.

3.2. Board and Director Oversight

Effective oversight by the Board is important to ensure there is momentum and focus for the CORE Program.

In this initial implementation period, the Board has been engaged and active in overseeing and monitoring the Program. Board and Director engagement occurred through various channels, including:

- the Board Risk Committee (**BRiskC**);
- the Board Legal, Regulatory and Compliance Committee (**BLRCC**);
- Board Workstream Deep Dive sessions; and
- Director Touchpoint Sessions.

The BRiskC adopted responsibility for oversight of the Integrated Plan from March 2021. This shift in responsibility for oversight of CORE to the BRiskC from the BLRCC was foreshadowed in our First Report.

Promontory observed sessions of the BRiskC and the BLRCC related to the Integrated Plan and/or the CORE Program during the Reporting Period. We also held meetings with the Chairs of these two Committees.

Promontory noted that members of the Board tested and challenged Program issues and the status of delivery raised through reporting and presentations prepared by Accountable Executives, including the CORE Sponsor, Group Executives (**GEs**) or General Managers (**GMs**) responsible for Workstreams, as part of the formal BRiskC process. The issues discussed by the BRiskC included the ongoing resourcing challenges of the Program and finalising residual actions required to complete some aspects of the Integrated Plan.

The Board Deep Dives are designed to enable Directors and the Executive Leadership to discuss Workstream-specific issues, challenges, and the achievement of outcomes in greater depth to better support Director oversight. Promontory observed four Board Deep Dives that took place during the Reporting Period.

As noted in our First Report, Westpac has introduced a new mechanism to support Board-level governance and oversight over the CORE Program, namely, the Director Touchpoint sessions with individual Directors. While these sessions are not substitutes for the collective deliberations of formal Board committees, they allow individual Directors to engage directly with specific Workstreams and Accountable Executives and staff. In doing so, the aim is to facilitate greater understanding of progress at the Workstream level and allow for individual challenge and guidance from Directors. Director Touchpoint sessions were held during the

Reporting Period covering all Workstreams, with the exception of WS 1 related to Board Risk Governance.⁸

3.3. Program Governance Structure

The key forums that constitute the management-level CORE Program Governance are detailed in our First Report. Since the First Report, one management-level governance forum, the Detailed Design Forum, was added to the Program Governance Forum structure. The purpose of the Detailed Design Forum is to discuss and validate the adequacy and appropriateness of design of Program deliverables from the perspective of the Divisions which will be required to implement those designs, to ensure the designs are effective and that they can be implemented across the Group.

During the Reporting Period Westpac also identified an opportunity to consider broader interlinkages across Workstreams to achieve coordinated outcomes. Westpac has introduced “interconnection workshops” to address this point.

3.4. Program Governance Arrangements

3.4.1. Management forums

Promontory observed several management-level governance forums operating during the Reporting Period, including the CORE Program Steering Committee (**SteerCo**), CORE Governance Forum, Divisional Delivery Governance Forum, Workstream General Manager (**GM**) Governance Forum and Detailed Design Forum.

Promontory noted that the key forums operated in alignment with the purpose of each forum as outlined in our First Report. We observed that these forums received timely reporting on implementation progress through the Reporting Period. Reporting with respect to the Program is discussed further in Section 3.4.4.

During the Reporting Period, the discussion across most management governance forums was focused on Program implementation status, progress against timelines, and the key issues and potential risks faced at the Program, Workstream and Divisional level.

3.4.2. The CORE team and key roles

CORE Program sponsorship formally transitioned to the GE, Financial Crime, Compliance and Conduct (**FCC&C**) on 1 March 2021, to coincide with APRA's approval of the Integrated Plan.

⁸ The Accountable GE for WS 1 has multiple and regular BAU touchpoints with the chairs of the BRiskC and BLRCC which cover the substance and material of this Workstream. Therefore, Westpac did not arrange a formal and separate touchpoint session for WS 1.

Other relevant accountable roles and responsibilities remained unchanged since our First Report.

Throughout the Reporting Period, the CORE Team continued to manage and oversee the implementation of the CORE Program and act as a conduit across the various governance forums and Divisions.

3.4.3. Communications and change management

During the Reporting Period, a significant volume of Program communications activity took place. This activity was delivered by the CORE Team in accordance with the CORE communication strategy. The CORE communications operating model was also refreshed to reflect the expansion of the Program and enable a centralised approach to associated coordination, governance and oversight.

Tone from the top was reinforced during the Reporting Period through aligned Chief Executive Officer (**CEO**) and GE communications via email, virtual and in-person sessions. An example of this was the series of Culture Offsite sessions held for GEs, GMs and business leaders to reinforce the key behaviours underpinning the cultural changes that are part of the CORE Program. Communications activity reinforced the importance of the improvements required to Westpac's risk governance framework.

Program level communications are supplemented by Westpac's delivery mechanism (**Package**). Each Package includes a tailored communications and change plan to ensure that staff understand the purpose of the changes. The Package approach groups Program Activities over a coming 90-day period to create a consolidated view of Divisional change requirements over that period. Each Package is discussed and agreed by Divisional and Workstream representatives in advance of implementation at the SteerCo. The approach aims to provide early visibility to the Divisions of upcoming Program execution requirements that have broad impacts. This is to enable timely resource planning, ensure consistency of implementation across Divisions, and support the collection of evidence of implementation.

During the Reporting Period, Package 3 was launched. Package 3 consists of 9 Activities newly-introduced to Divisions and 10 ongoing Activities, across 8 of the 19 Workstreams, with a focus on sharpening specialist capabilities through support tools and learning.

3.4.4. Program reporting

During the Reporting Period, Promontory observed timely reporting to governance forums on the status of the Program, including implementation progress, key risks, issues and challenges, dependency management and, where appropriate, resourcing and financial performance. Planning was underway during the Reporting Period to transition to a centralised reporting tool in coming months.

During the Reporting Period, the Board and management stakeholders provided feedback in relation to the content of Program reporting. There was evidence that this feedback has been considered and adopted by the central CORE team and the Workstreams, with a number of enhancements made to the reporting suite during the Reporting Period, including:

- clearer articulation of Workstream Activity status against due dates within the Integrated Plan, submission dates to Promontory, closure by Promontory and phase split (Design, Implement and Embed); and
- updated SteerCo and CORE Governance Forum reporting slides to provide clearer visual articulation of status and numbers of Activities submitted to Promontory, as well as number of Activities remaining to be submitted as a measure of progress.

In the next period, Program reporting with respect to tracking of deficiencies and additional risk related programs will be enhanced. Westpac is also looking to better integrate views on funding, resourcing, and scheduling into reports provided by Workstreams. This would, for example, assist in better understanding the potential impacts of any resourcing issues on the critical components of a Workstream schedule. Further information on resourcing and scheduling is provided in Chapter 4 below.

3.4.5. Program Assurance

Westpac's internal audit function (**Line 3**) is responsible for internal independent review and assurance of the Program, review and challenge as a participant in key oversight forums (SteerCo, CORE Governance Forum, and Design Authority), and independent audits of risk management framework elements (as part of the regular audit program as approved by the Board Audit Committee (**BAC**)).

Internal Audit's interim review of the CORE Program was delivered during the Reporting Period. The Line 3 report of 29 March 2021 concluded that key controls were in place and operating adequately. Specifically:

- Performance and Confidence measures reported to the SteerCo were adequately supported;
- the SteerCo was effective in providing oversight and challenge to the CORE Program; and
- an effective quality assurance process was in place to monitor Workstream deliverables and review Closure Packs before their submission to Promontory.


Promontory meets with Westpac's Internal Audit regularly to discuss Westpac's internal CORE Program assurance activities. During the Reporting Period, Promontory met with Internal Audit on four occasions to discuss Internal Audit reviews relevant to the program and share views on Program governance.

During the Reporting period, Westpac also introduced more formal Line 2 oversight and challenge within the CORE Program, with the CRO Group Functions & Services having

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responsibility for Program oversight through a dedicated CORE oversight team and accessing Division Line 2 teams.

4. Program Delivery

4.1. Observations

Funding is in place to support the CORE Program through FY21, with planning for FY22 underway.

The Program has identified resourcing as a key challenge. The broader context is that the market for risk and compliance resources is tight, and this is placing pressure on aspects of the Program. Reflecting the challenging environment, and high demand for risk professionals, Westpac has flagged that there have been issues with attracting subject-matter expert resources. This has contributed to amber ratings being assigned across a number of Workstreams. In several cases Westpac has turned to external parties to support design elements to achieve deadlines established by the Plan.

We also note that the construct of the Plan is such that central resources are largely involved in the design elements. To support Divisional engagement, there is greater reliance on the Divisions in executing Implement and Embed Activities. As the Program progresses from the design phase into the implement and embed phases, balancing the Divisional resourcing between BAU and CORE will need to be carefully monitored.

Westpac has indicated that it is taking steps to address these issues. We will be monitoring Westpac's capacity and capability to undertake the risk governance activities as BAU through our assessments of relevant Implement and Embed Activities (e.g., obligation mapping). Our review will also consider whether Westpac has measures in place to manage the risks associated with a significant use of consultants, particularly over the longer term as CORE reforms are embedded in the Bank.

During the Reporting Period, Westpac undertook a significant amount of work to refine the Deliverable outcome measures and Embed Activities to align them more effectively with the problem statements. As the Program moves into Implement and Embed Activities, we will place particular emphasis on whether completed Activities are achieving the overall outcomes being sought.

4.2. Funding and Resourcing

4.2.1. Funding

Our First Report noted that Westpac has committed to a multi-year funding program to support delivery of the Integrated Plan. The CORE finance team provides monthly Program reporting, including tracking of actual spend against forecast and monitoring of updated forecasts against plan.

During the Reporting Period the forecasts remained in line with plan, with delays in onboarding full-time staff offset by an increased use of consultants. As at the reporting Date, Westpac considered current funding as being sufficient to finance the CORE Program through Financial Year 2021 (**FY21**).

During the Reporting Period Westpac commenced planning the funding requirements for FY22. Under this process, Workstreams are expected to provide a forward view six quarters out. Westpac implemented a process whereby the GM, CORE meets with the Accountable Workstream GMs on a quarterly basis, in line with the Group's Quarterly Business Review (**QBR**) process to review the Workstream forecasts and performance against plan.

4.2.2. Resourcing – Workstream specific

Our First Report provided commentary on the resource plan to support delivery of the Integrated Plan.

During the Reporting Period Westpac identified challenges with respect to resourcing. Notwithstanding this, Activities during the Reporting Period were completed within expected timeframes and on schedule, as evidenced by Closure Packs being delivered to Promontory in accordance with Westpac's agreed timeframes.

Westpac worked during the Reporting Period to manage resourcing issues that could impact Program execution in later periods, including taking action to:

- identify and prioritise the recruitment of staff to key roles;
- develop a contingency plan for staffing key roles through the use of external consulting firms;
- proactively identify 'critical' delivery roles or 'at risk talent' and address the risk of losing critical staff through talent retention strategies or talent augmentation;
- establish an internal recruitment squad to facilitate recruitment activity for roles related to the delivery of the CORE Program;
- establish a fast-track process to minimise delays for resource onboarding; and
- schedule weekly stand ups with program owners and hiring managers to clear roadblocks and address issues.

Weekly updates are provided to Westpac's CEO which resulted in a number of deep dives on resourcing requirements during the Reporting Period.

Continuous monitoring of the resourcing challenge is being managed by the CORE team, which has established a new process to commence in July 2021. This process will require each Accountable Workstream GM, on a quarterly basis, to present schedules, funding and resource forecasts and the adequacy of the underlying plans for review and challenge by the GM, CORE.

4.2.3. Resourcing – Division specific

Divisions are responsible for managing resources within their accountabilities and for reallocating resources between dedicated CORE resources and BAU resources as appropriate to balance competing priorities. To facilitate effective discussion between the Divisions and the CORE Workstreams, Divisional representatives have several governance forums available to raise implementation concerns on an ongoing basis, including concerns relating to resourcing.

During the Reporting Period Promontory observed that some Divisions had used those forums, and the overall Program reporting, to call out resourcing concerns and to communicate their plans for addressing them.

4.3. Dependencies and Scheduling

As introduced in the First Report, Westpac has identified two types of interlinkages to be managed by the CORE Program:

- Interdependencies, which are linkages across different Workstreams within the Integrated Plan; and
- Program Dependencies, which are linkages between Workstreams from the Integrated Plan and programs of work outside of the Plan.

Westpac has continued to capture details on dependencies within the Interdependency and Program Dependency registers.⁹

4.3.1. Interdependencies

Given the expansion of the CORE Program from 14 to 19 Workstreams, the number of Interdependencies identified for the CORE Program in the Reporting Period increased from 70 to 238.

The increase was a result of a number of factors, including:

- incorporating Activities and Deliverables from programs which were previously considered to be external to CORE; and
- the ongoing processes to identify and manage Interdependencies (e.g., through various governance forums and meetings held between Workstreams where Interdependencies are discussed and agreed).

⁹ In this Chapter, we have used both the terms 'Interdependencies' and 'Program Dependencies' to describe how these have been considered in the CORE Program, but otherwise, we use the term 'dependencies' to cover both.

Of the 238 Interdependencies, 138 of these remained open and 100 were closed. In the context of dependency management, 'open' dependencies refer to those that remain active, whereas 'closed' dependencies refer to those that are no longer considered active.

During the Reporting Period, Promontory has continued to observe governance forums, review the Interdependency register and identify areas where enhancements may be made. Westpac has responded by further developing its approach and documenting this in the updated Dependency Management Plan in April 2021.

There were two other substantive changes to dependency management.

- The introduction of a revised closure process. Confirmation to close Interdependencies will be requested monthly as Interdependencies are due, requiring the receiving Workstream to confirm that the requirements have been met. The closure of Interdependencies has two classifications, "closed-delivered", or "closed-no longer relevant". Where closure is due to no longer being relevant, the rationale is documented to ensure traceability.
- Westpac has undertaken other processes to identify key thematics across the Plan to support delivery and communications. This has led to 'Interlock' sessions being held/planned across three key themes (culture, 3LOD, and risk frameworks) to get a deeper understanding of design and implementation considerations to inform relevant Workstream plans. In addition to the three 'interlock' sessions, a fourth theme relating to technology across the relevant Workstreams is being progressed.

4.3.2. Program Dependencies

The Group Transformation Office (**GTO**) helps with the identification and resolution of Program Dependencies and shares these with the CORE program through the governance forums. Contentions and dependencies are surfaced, resolved and reported through the QBRs, and are provided to the Executive Team (**ET**) quarterly.

The closure of Program Dependencies follows the same updated process as Interdependency closure highlighted above. Where the receiver is external to the CORE Program, CORE seeks confirmation from the respective owner that the Program Dependency has been satisfied, retaining the relevant closure evidence.

The expansion of the CORE Program resulted in the closure of many Program Dependencies. This was due to activities from the external programs of work now being incorporated into the CORE Program. As at the Reporting Date, the CORE Program had identified a total of 35 Program Dependencies, with one identified during the Reporting period and a total of four remaining open and active.

During the Reporting Period, Promontory has continued to review the Program Dependencies register, and provided challenge on the closure of a number of Program Dependencies.

Westpac has responded to Promontory's queries and provided evidence of closure across a sample of Program Dependencies.

4.3.3. Scheduling

Project management disciplines continued to mature during the Reporting Period. Westpac is in the process of documenting Workstream level schedules / work plans which provide a time-based view of Activities and the various tasks required to achieve the Activities. These schedules / plans are based on the Activities and due dates contained within the Integrated Plan. The Workstream schedules roll up to a Master Program Schedule (**MPS**). The MPS:

- is a tool for the integration, control and analysis of all Program scope;
- provides an overarching view of Program Progress down to the Activity level;
- links key Activities that have an Interdependency or a Program Dependency relationship, to drive and confirm progress; and
- provides a critical path view to support delivery of the commitments under the EU.

As schedules are finalised, sign off is required from the Workstream GM Owner. As at the Reporting Date the CORE team was planning on including the schedules in the quarterly challenge sessions on each Workstream discussed at Section 4.2.2. Over the next reporting period, we will monitor the finalisation of the schedules and how they are being used to better identify the impact of any concerns on scheduling (including the consideration of dependencies) and the ability to meet timeframes.

4.4. Sustainability

Sustainability of the CORE Program is critical to ensuring that the Integrated Plan's outcomes endure after the Plan is completed. Sustainability requires that changes to risk governance and risk management through the CORE Program are effectively embedded in the Bank so that, for example, reforms do not dissipate with changes in management or staff (including external consultants).

4.4.1. Outcome Measures

Deliverable Outcome Measures and Embed Activities

In our First Report, Promontory suggested that Westpac consider how detailed outcome measures for Deliverables and closure criteria for Activities could be more closely aligned with the Workstream problem statements. This would enable Westpac to demonstrate tangible improvements in its risk governance.

During the Reporting Period, in order to improve the sustainability of the CORE Program, Westpac reviewed two key areas of the Integrated Plan relating to Outcome Measures and Embed Activities, namely:

- (i) the adequacy of Outcome Measures in assessing progress against Deliverable Target States; and
- (ii) the adequacy of Embed Activities in aligning to Deliverable Target States and the adequacy of evidence to support embedment.

Aligning these measures with the Target State helps ensure that the focus is on achieving the desired outcome, rather than just completing the specific Activity.

During the Reporting Period, all CORE Workstreams reviewed and made changes to their respective Deliverable Outcome Measures and Embed Activities against the criteria in Table 4.4.1 below.

Table 4.4.1. Criteria for assessing Outcome Measures and Embed Activities

Component	Criteria	Description
Outcomes Measures	Accuracy	Reflect the Deliverable Target State accurately.
	Measurability	Ability to measure the outcome over time to track progress/ trend to assess progress against Deliverable Target State – baseline and target value set for quantitative measures.
	Explicitness	Specific and without ambiguity.
	Availability	Sources of information to support the measure are readily available or can be easily obtained.
	Sustainability	Usable in BAU context for reporting to demonstrate that the Deliverable Target State is achieved and sustained.
Activity Description	Alignment with the Deliverable Target State	All elements (e.g., stakeholders, processes, actions) relevant to meeting the Deliverable Target State are addressed in Activity Description (or through the collection of Activities).
	Articulation of how the Activity will be embedded	Identifies BAU/post-Implementation processes which contribute to demonstrating that the Deliverable Target State has been achieved and sustained, including where frameworks and processes are to be developed to sustain the impact of the Activity (e.g., relevant policies).
Closure Criteria	Alignment with Activity Description	All elements (e.g., stakeholders, processes, actions) relevant to the Activity Description are addressed by Closure Criteria.
	Articulation of outcome of completing Activity	Articulates the target outcomes, at the Activity level, required to complete the Activity.

Evidence Requirements	Incorporation of relevant artefact(s)	Identifies specific artefacts aligned to all elements (e.g., stakeholders, processes, actions) relevant to the Activity Description which, as a collective, support the Deliverable Target State.
	Demonstration of achievement of embedding of Deliverable	Evidence requirements demonstrate that as a collective the relevant Activities support achievement of the Deliverable Target State, including relevant BAU reports tracking relevant metrics (i.e., Outcome Measures and other metrics as relevant).

Program Outcome Measures and Target Outcomes

(i) Program Outcome Measures

As requested by APRA in March 2021, Program Outcome Measures have been designed with indicative FY23 objectives that are linked to the overall Target State of the Program, to assess overall Program progress and demonstrate sustainable improvements to Westpac's risk governance.

It was agreed during the Reporting Period that the Program Outcome Measures will be reported to the BRiskC and the SteerCo at regular intervals. They will be reviewed as part of the six-monthly reviews of the Integrated Plan, to ensure they provide a view on the progress against intended changes and to ensure that the activities within and across Workstreams are producing the overall outcomes sought.

(ii) Target Outcomes

Target Outcomes detail the key achievements targeted for completion by December 2021 in order to deliver on the commitments in the Integrated Plan. They were developed during the Reporting Period to ensure a greater focus on overall outcomes and provide signposts of the desired transformation in the Bank as the CORE Program progresses.

4.4.2. Deficiencies

Our First Report noted that Westpac had undertaken a structured process to identify risk-related deficiencies. This process included identification of risk governance deficiencies that related to and fell within the scope of the Integrated Plan, as well as deficiencies that would be addressed by initiatives outside the scope of the CORE Program. Group Audit provided challenge to ensure completeness of coverage of the deficiencies to be remediated under the Integrated Plan.

During the Reporting Period, Westpac enhanced its approach to the management and reporting of deficiencies, including:

- more granular mapping of deficiencies to Deliverables; and

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- tracking of deficiencies within CORE governance mechanisms.

The Deliverables within the Plan have been designed to address the identified deficiencies. Through the assessment process, Promontory will assess whether the outcomes achieved by the Deliverable practically address the identified deficiencies.

The CORE Program is not accountable for Activities addressing deficiencies outside the scope of the Plan. However, it maintains transparency over the progress of initiatives aimed at dealing with these deficiencies due to the interrelationships with CORE.

As noted above, the senior CORE governance forums of BRiskC and the SteerCo began receiving enhanced reporting on deficiencies during the Reporting Period. The enhanced reporting is intended to provide a single view across Deliverables and corresponding deficiencies, with enhancements likely following initial SteerCo feedback.

5. Accountability for the Integrated Plan

5.1. Observations

Clear accountability for the Integrated Plan is fundamental for successful implementation.

The Accountability Statements for the Board, the CEO and GEs define individual accountabilities and responsibilities for completion of CORE activities under the Integrated Plan, as required under the EU. Similarly, where relevant, the accountabilities of GMs are reflected in their respective Statements of Accountability (**SOAs**).

Accountabilities for the CEO, GEs and GMs that have CORE Program responsibilities have been reinforced through scorecards that have relevant metrics included, specifically with respect to risk and governance matters. These scorecards were refined and approved during the Reporting Period.

Promontory considers the foundations with respect to accountability for delivery of CORE to be present. We will need to see this in practice through further observations at CORE governance forums and through application of the remuneration and consequence management frameworks in coming remuneration cycles.

Broader improvements to accountability for risk management are a key component of the Plan and are addressed in WS 4 (Organisational Design).

5.2. Accountability

During the Reporting Period the Banking Executive Accountability Regime (**BEAR**) Accountability Statements for the Board, the CEO and GEs were revised to take account of the Integrated Plan. Promontory considers that they now appropriately define individual accountability and responsibility for completion of CORE activities in the Integrated Plan as required under clause 17 of the EU.

Scorecards for the CEO, GEs and the GMs that have CORE Program accountabilities were updated during the Reporting Period to comply with clause 16 of the EU "to reflect and give significant weight to the accountability for completing items in the Integrated Plan in the Remuneration Scorecards" of Accountable Persons. In addition, the scorecards of Accountable Persons include separate specific weighting for the Integrated Plan. The scorecards were aligned to the accountabilities within the Accountability Statements with the required approval processes followed to reflect these changes.

The scorecards illustrate a correlation between CORE delivery outcomes and remuneration outcomes. The scorecards include a modifier that requires consideration of risk and reputation measures as assessed by the Board as warranting remuneration adjustment.

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Scorecards comprise a set of minimum individual weighting attributed to delivery of the CORE Program. We viewed the final approved scorecards for GEs and some GMs who have significant accountabilities for the CORE Program and observed that their individual scorecard weightings allocated to CORE accountabilities are considerably higher than the set minimum individual weighting attributed to the delivery of the CORE Program. Certain GEs have additional weightings where they have greater accountabilities for related activities that are not specific to the CORE Program, such as responsibility for the Culture Review Program.

SOAs for GMs were updated during the Reporting Period to reflect a better understanding by senior leaders of their responsibilities and accountability for delivery of CORE.

6. Deliverables Progress and Assessment

This Chapter sets out details of the Program's progress in completion of Activities and Deliverables which make up the Integrated Plan.

6.1. Promontory's Assessment Approach

Promontory takes a structured approach to assessing completed Activities. Once Westpac considers it has completed an Activity, evidence is collated and a Closure Pack is submitted to Promontory which sets out the tasks completed and the materials evidencing completion of the Activity. The documentary evidence in the Closure Packs typically includes (but is not limited to) frameworks, policies and procedures, guidance materials, communications, governance forum papers and system data extracts. The Closure Pack requires sign off by the relevant GE responsible for the Activity's delivery, as the BEAR Accountable Executive.

After reviewing documents in the Closure Pack, we make an initial assessment of the effectiveness of the Activity and identify whether further actions are required in order for Promontory to assess the Activity as complete and effective.

In assessing effectiveness, we look to both whether there is evidence that the specific tasks described in the Activity have been carried out and that they contribute to achieving the Target State of the relevant Deliverable. In order to assess an Activity as complete and effective, we consider that:

- For Design Activities, the Activity Closure Criteria should be met, and there should be evidence of a sound basis for the Deliverable's Target State to be achieved.
- For Implement Activities, the Activity Closure Criteria should be met, there should be evidence of progress towards the Deliverable's Target State being achieved, and there should be measures in place or designed to support maintenance of the Target State on an ongoing basis.
- For Embed Activities, the Activity Closure Criteria should be met, there should be evidence that the Deliverable's Target State has been achieved, and there should be measures in place to support the Target State on an ongoing basis.

Our assessments consider each Closure Pack in the context of the Reassessment and the Integrated Plan, identified deficiencies, guidance APRA may have provided, guidance from other Australian agencies such as the Australian Securities and Investments Commission, guidance from international bodies and organisations (e.g., the Basel Committee on Banking Supervision, the Financial Stability Board, or as developed by supervisors in other jurisdictions), and Promontory's observations regarding better practice.

Where needed, Promontory may request further information on aspects of an Activity, additional evidence, and/or interviews with relevant Westpac stakeholders to support our assessments and our conclusions. After receiving any additional documents requested and

conducting interviews, we make and communicate a final assessment considering the factors described above.

6.2. Overview of Progress during the Reporting Period

As noted in Chapter 2, the Program tracked to plan during the Reporting Period. The Program consists of 327 Activities (114 Design Activities, 128 Implement Activities and 85 Embed Activities). Promontory received Closure Packs during the Reporting Period for 58 Activities, bringing the total number of Activities submitted to Promontory for assessment to 104 (65 Design Activities, 35 Implement Activities and four Embed Activities). All closure packs received during the Reporting Period were provided to Promontory within the expected timeframes.¹⁰

During the Reporting Period, Promontory completed its assessment of 65 Activities (44 Design Activities, 17 Implement Activities and four Embed Activities), all of which were assessed as complete and effective. A further 33 Activities remained under assessment as at the Reporting Date. Promontory had completed its assessment of six Activities prior to the Reporting Period.

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

Table 6.2 provides an overview of the Activities we assessed as complete and effective during the Reporting Period.

Table 6.2. Overview of 65 Activities assessed as complete and effective by Promontory during the Reporting Period

#¹¹	Workstream	Activity	Phase (D/I/E)	Activity Sign-Off Date
1	WS 1	1.3.1	D	2-Jun-21
2		1.4.1	D	7-May-21
3		1.7.1	D	25-Jun-21
4		1.9.1	D	25-Jun-21
5	WS 2	2.1.1	D	23-Jun-21
6		2.2.1	D	5-Feb-21
7		2.3.1	D	12-Feb-21
8	WS 3	3.1.1 and 3.1.2	D	1-Feb-21
9		3.1.3	I	14-May-21

¹⁰ Chapter 2 of this Report sets out the expected timeframes for Closure Pack submission.

¹¹ The numbers in this column have been assigned to each Closure Pack by Promontory for tracking purposes.

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10		3.2.2	I	1-Apr-21
11		3.3.2, 3.3.3 and 3.3.4	I	9-Apr-21
12		3.3.5	I	10-May-21
13	WS 4	4.2.3	D	19-Mar-21
14		4.2.4	I	7-May-21
15		4.3.2	I	23-Jun-21
16		4.3.4	D	15-Jun-21
17	WS 5	5.1.3	I	15-Mar-21
18		5.2.2 and 5.2.3	D	15-Mar-21
19		5.2.4	D	16-Mar-21
20		5.3.1	D	10-Jun-21
21		5.3.2	I	18-Feb-21
22		5.3.3	I	11-Jun-21
23	WS 6	6.2.1	D	9-Apr-21
24		6.3.1	D	23-Apr-21
25		6.4.2	D	3-May-21
26		6.6.1	D	9-Apr-21
27		6.8.1	D	23-Jun-21
28	WS 7	7.5.1	D	24-Mar-21
29		7.5.2	D	1-Apr-21
30		7.6.1 and 7.6.3	D and I	25-Feb-21
31		7.6.2	D	23-Mar-21
32		7.6.4 and 7.7.3	D	18-Jun-21
33		7.7.1 and 7.7.2	D	24-Mar-21
34	WS 8	8.1.1	D	17-May-21
35		8.2.1	D	18-Feb-21
36		8.2.2	D	18-Feb-21
37	WS 10	10.2.1	D	18-Jun-21
38		10.3.1	D	26-Feb-21
39		10.4.3	D	3-May-21
40		10.4.4	I	28-May-21

41		10.4.5	D	25-Mar-21
42		10.6.1	D	15-Mar-21
43		10.6.2	D	28-May-21
44	WS 12	12.4.1	D	1-Apr-21
45	WS 13	13.1.1	D	15-Mar-21
46		13.3.1	D	19-Mar-21
47	WS 14	14.1.1 and 14.1.2	D and I	2-Jun-21
48		14.1.3, 14.2.3, 14.2.4 and 14.2.5	E	4-Feb-21
49		14.3.1	D	21-May-21
50		14.3.2	I	22-Feb-21
51		14.3.3	I	22-Feb-21
52		14.3.4	I	1-Apr-21
53		14.4.1	D	1-Apr-21
54	WS 15	15.2.1	D	25-Jun-21

6.3. Workstream 1 – Board Risk Governance

6.3.1. Assessment of Deliverable 1.3

Deliverable 1.3 requires the Board to set the Group risk appetite by approving the Group Risk Appetite Statement (**RAS**) and providing continued oversight of the Group's RAS, including out-of-appetite risks.

Activity 1.3.1

Design Activity 1.3.1 involved the review of the Group RAS, as proposed by the CRO, by the BRiskC and proposal of the new Group RAS to the Board for approval.

Management provided an outline of the annual review of the Group RAS to the BRiskC, including the proposed changes, for review, test, and challenge. The Group RAS was recommended by the BRiskC and subsequently approved by the Board.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the measures and thresholds in the new Group RAS, the Board's test and challenge, and the delegations regarding final approval of the new Group RAS.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that the BRiskC and the Board provided oversight and acted consistently with their roles and responsibilities in approving the new Group RAS pursuant to their Charters.

We note that our assessments of future activities in this Workstream may require us to attend Board and BRiskC meetings to observe the relevant test and challenge provided with respect to the RAS.

6.3.2. Assessment of Deliverable 1.4

Deliverable 1.4 requires the Board to provide continued oversight of Westpac's risk culture and the progress made by Divisions in implementing the Group's Risk Culture program of work.

Activity 1.4.1

Design Activity 1.4.1 involved the review and approval of Westpac's Risk Culture Framework by the BRiskC.

Management presented the Risk Culture Framework to the BRiskC for review, test and challenge, and approval. In developing the Risk Culture Framework, extensive stakeholder review and feedback sessions were conducted which resulted in a reassessment and update of the Risk Culture Framework to provide clarity around the desired risk behaviours.

After reviewing the Closure Pack for this Activity, Promontory concluded that the BRiskC reviewed and provided feedback on the Risk Culture Framework which was incorporated into the Risk Culture Framework.

Based on our assessment of the Activity Closure Pack, we concluded that the BRiskC acted consistently with their roles and responsibilities in approving Westpac's Risk Culture Framework.

6.3.3. Assessment of Deliverable 1.7

Deliverable 1.7 requires the Board and accountable executives to provide oversight of the implementation of the recommendations of the Advisory Panel's Report into Board Governance of AML/CTF Obligations.

Activity 1.7.1

Design Activity 1.7.1 involved developing and seeking Board consideration of an Action Plan to address the recommendations arising from the Advisory Panel's Report.

To address the Advisory Panel recommendations, management prepared an Action Plan that provided information regarding the key recommendations to be addressed, the approach to

addressing the recommendations, ongoing governance and accountability requirements, and the extent to which the recommendations would be addressed through existing programs of work. The Board subsequently approved the proposed Action Plan.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the approach to reporting to the Board on the progress of implementing the Advisory Panel recommendations, and the approach to monitoring and reviewing the achievement of desired outcomes.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had developed an Action Plan to address the Advisory Panel's recommendations with consideration and input from the Board and its relevant Committees, and that the execution of this Plan will have adequate Board and executive oversight of progress.

6.3.4. Assessment of Deliverable 1.9

Deliverable 1.9 requires the Board Audit Committee to set clear expectations for Line 3 to have sufficient and appropriately skilled resources and Line 3 to strengthen skills and capabilities in accordance with the Line 3 capability plan.

Activity 1.9.1

Design Activity 1.9.1 involved identifying target capacity for Line 3 roles for FY21 with approval from BAC, and the BAC providing oversight over the Line 3 capability plan as defined by Group Audit.

As part of its FY21 planning process, Group Audit undertook analysis and defined the requisite full-time equivalent (**FTE**) capacity requirements for FY21 and identified associated resourcing and funding requirements. The proposed FTE capacity requirements and the Group Audit Target Capability Plan, which contains a summary of roles and responsibilities to achieve Line 3 capability uplift, were approved by the BAC. The BAC will receive regular updates in relation to implementation of the plan.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the roles and responsibilities of newly created roles, and the progress made in undertaking additional skills assessments to identify further areas of focus and training opportunities.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Group Audit had identified resourcing capability and capacity requirements as part of its FY21 planning process and that the BAC had, consistent with its Terms of Reference, provided oversight and approval.

6.4. Workstream 2 – Executive Culture and Capability

6.4.1. Assessment of Deliverable 2.1

Deliverable 2.1 requires Westpac to strengthen its executive leadership culture. Executive leaders are to role model the behaviours that promote sound management of risk and create a safe environment to raise issues and concerns.

Activity 2.1.1

Design Activity 2.1.1 involved defining behaviours that promote sound management of risk management practices and create a safe context to raise issues and concerns. It also involved a review of existing executive leadership programs and initiatives to support the desired behaviours.

Westpac defined the desired behaviours and developed the Culture Transformation Program and the Leadership Development Journeys to support the desired executive behaviours.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity, including an outline of the desired behaviours, details of executive leadership programs and tools used to measure the actual versus the desired culture.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had defined the Target State structure and the design of the approach to executive leadership culture to promote sound management of risk behaviours, and to create a safe context to raise issues and concerns.

6.4.2. Assessment of Deliverable 2.2

Deliverable 2.2 requires the alignment of the Performance Management and Recognition Platforms to support Westpac's new Purpose, Values and Behaviours (**PVB**) and risk culture, and for these Platforms to be used by all staff.

Activity 2.2.1

Design Activity 2.2.1 involved announcing Westpac's new PVB, defining the changes required to its Performance Management and Recognition Platforms, and scoping and defining the associated collateral to align with the revised values and behaviours.

The CEO issued communications on the new PVB, and the Business Requirements Documents defining the changes to Westpac's Performance Management Platform and Recognition Platform.

In addition, documentation was developed that describes the scope and defined changes to the relevant Performance Management Platform collateral to support employees and leaders

to understand what is expected of them. The requisite approvals were obtained for the following documents:

- Business Requirements for the Performance Management Platform;
- Business Requirements for the Recognition Platform; and
- Scope and defined changes to the Performance Management Platform collateral.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviewed relevant stakeholders on aspects of this Activity, including questions around consultations with relevant stakeholders including Risk and Compliance, Board feedback on the new PVB and system controls for changes to the Performance Management and Recognition Platforms.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to define the target state to support the new PVB and desired risk culture through its Performance Management and Recognition Platforms.

6.4.3. Assessment of Deliverable 2.3

Deliverable 2.3 requires Westpac to implement a Culture Measurement Approach across the Group that monitors and informs the Culture Transformation Program and enables measurement of risk culture.

Activity 2.3.1

Design Activity 2.3.1 involved designing the Group-wide approach for culture measurement (including key behaviours, risk culture, and performance culture) and ensuring that the Risk Culture Framework actions (contained in WS 3) are aligned and mutually reinforcing.

Westpac developed documentation that details the culture measurement approach that aligns and reinforces the Risk Culture Framework. The documentation specifically addresses key behaviours, risk culture and performance culture. The approach to culture measurement was presented to the Board.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity, including the design of an employee engagement survey and its operation with respect to culture measurement and key risk behaviours, the risk culture assessment data that will be used to define relevant questions, and interactions between WS 2 and WS 3 that illustrate collaboration regarding interdependencies.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac has taken appropriate steps to define the Target State structure and the design of the Group-wide approach for culture assessment, including an overall measurement tool.

6.5. Workstream 3 – Risk Culture

6.5.1. Assessment of Deliverable 3.1

Deliverable 3.1 requires Westpac to establish a Risk Culture Framework with clear articulation of roles and responsibilities for measuring, monitoring and managing risk culture across the 3LOD.

Activities 3.1.1 and 3.1.2

Design Activity 3.1.1 involved designing Westpac's Risk Culture Framework and obtaining endorsement from the Group Executive Risk Committee. Design Activity 3.1.2 involved obtaining BRiskC approval of the Risk Culture Framework.

Westpac developed a Risk Culture Framework in alignment with Westpac's Risk Management Framework (**RMF**). The Risk Culture Framework was reviewed and endorsed by the Executive Risk Committee, and subsequently reviewed and approved by the BRiskC.

The design of the Risk Culture Framework was supported by:

- advisory services provided by external consultants; and
- engagement and feedback received from key stakeholders.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the industry benchmarking conducted, alignment with industry standards and internal frameworks and policies, and the approach to stakeholder consultation.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had designed a Risk Culture Framework that articulates roles and responsibilities for measuring, monitoring, and managing risk culture.

We note that our assessments of future Activities in this Workstream will consider whether Westpac has implemented adequate systems and processes to support the ongoing application of the Risk Culture Framework.

Activity 3.1.3

Implement Activity 3.1.3 involved implementing the Risk Culture Framework in the Divisions in line with the 3LOD model.

The Divisions were informed of implementation requirements relating to the new Risk Culture Framework. They were provided with a plan to support the implementation. The implementation plan articulated the activities the Divisional Line 1 Business Controls & Monitoring (**BCM**) teams were required to undertake to demonstrate risk culture is being measured, monitored, and managed within each Division. In addition to this, Westpac created

an implementation checklist which outlined the practical steps required by Divisions to implement the Risk Culture Framework and allowed Divisions to document their operating practices.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the Implementation Plan, the Implementation Checklist, and the RMF.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to implement the Risk Culture Framework, in line with the 3LOD model, in the Divisions.

We note that our assessments of future activities in this Workstream will consider examples of how Divisions have used the Risk Culture Insights report to make relevant changes and the escalation of any failings to implement the relevant activities.

6.5.2. Assessment of Deliverable 3.2

Deliverable 3.2 requires Westpac to establish a Risk Culture Dashboard that is implemented by each Division to consistently measure, monitor and report on risk culture at Divisional and Group level risk governance forums.

Activity 3.2.2

Implement Activity 3.2.2 involved implementing an online Risk Culture Dashboard solution in the Divisions.

Prior to the formal establishment of the Program under the EU, Westpac designed an online Risk Culture Dashboard solution that captured key risk culture metrics from a range of internal systems and data sources. Westpac implemented the Risk Culture Dashboard within the Divisions by providing Divisional Line 1 and Line 2 users with user licenses and access to the digital tool. This was supported by:

- an implementation plan;
- communications issued by senior management;
- demonstrations of the Risk Culture Dashboard;
- a series of formal training sessions; and
- formal guidance material.

The provision of access data confirmed the use of the Risk Culture Dashboard by Divisional users.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the approach to consultation and stakeholder engagement, related roles and responsibilities, and

the sustainability measures in place to support the use of the Risk Culture Dashboard and ongoing data integrity.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had implemented the Risk Culture Dashboard within Divisions.

We note that our assessments of future activities in this Workstream will consider additional aspects including the adoption of user feedback and enhancements made to the dashboard, identification and remediation of defects, and dependency management.

6.5.3. Assessment of Deliverable 3.3

Deliverable 3.3 requires Westpac to establish a Risk Culture Maturity Self-Assessment process to determine each Division's risk culture maturity relative to Westpac's target maturity level, and Divisions to address identified gaps in their risk culture maturity to collectively move the Group towards the target maturity level.

Activities 3.3.2, 3.3.3 and 3.3.4

Implement Activity 3.3.2 involved the Divisions completing the Risk Culture Maturity Self-Assessment process, including Divisional CRO review and challenge. Implement Activity 3.3.3 involved Divisional Group Executives reviewing and signing off on Divisional Self-Assessment results and presenting the results at respective Divisional Risk Committees. Implement Activity 3.3.4 involved reporting Divisional Self-Assessment results to both the Group Risk Committee and the BRiskC.

Prior to the formal establishment of the Program under the EU, Westpac designed the methodology and technology solution to enable Divisions to undertake both a qualitative and quantitative self-assessment of risk culture. Activities 3.3.2, 3.3.3 and 3.3.4 represent the first cycle of the Risk Culture Maturity Self-Assessment process. Divisional Line 1 teams implemented the Risk Culture Maturity Self-Assessment by completing the qualitative and quantitative assessments via the online assessment tool, with Divisional CROs providing review and challenge (Activity 3.3.2). Group Executives provided review and signoff of Divisional results and socialised results via Divisional Risk Committees (or equivalent forums) (Activity 3.3.3). Westpac analysed and reported Divisional results, including thematic observations and insights, to the Group Risk Committee and the BRiskC (Activity 3.3.4). These actions were supported by:

- an implementation plan;
- communications issued by senior management;
- briefing and training sessions; and
- formal guidance material.

After reviewing the combined Closure Pack for these Activities, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activities including the rollout of the process, the level of consistency across Divisions, queries and feedback received from stakeholders, the approach to reporting results, and the sustainability measures in place to support the Risk Culture Maturity Self-Assessment process on an ongoing basis.

Based on our assessment of the combined Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac has implemented the Risk Culture Maturity Self-Assessment process, including relevant governance, oversight, and reporting requirements.

We note that our assessments of future activities in this Workstream will consider additional aspects including the adoption of user feedback and enhancements made to the methodology and tool, the approach to governance and oversight and the ongoing adequacy of resourcing to implement uplift actions identified through the Self-Assessment.

Activity 3.3.5

Implement Activity 3.3.5 involved the Divisions developing actions and initiatives to improve risk culture, based on the gaps identified as part of the Risk Culture Maturity Self-Assessment.

Divisional Line 1 teams analysed Risk Culture Maturity Self-Assessment results, including Divisional Risk Committee feedback and input, and developed 'action plans' to address the risk culture gaps and opportunities identified. This was supported by:

- communications issued by senior management; and
- formal guidance material.

Promontory observed review and input from Divisional Line 1 and Line 2 stakeholders.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the consistency of the approach to developing and implementing Divisional 'action plans', roles, responsibilities and accountability, and the sustainability measures in place, including reviews planned to be undertaken.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had developed 'action plans' at the Divisional level to address gaps identified through the Risk Culture Maturity Self-Assessment process.

We note that our assessments of future Activities in this Workstream will consider additional aspects including the development of additional guidance materials, the efforts of both the Risk Culture Team and Divisional CROs in ensuring the adequacy and effectiveness of Divisional 'action plans', enhancements made to the Risk Culture Maturity Self-Assessment

and associated 'action planning' processes as part of Westpac's iterative approach and the ongoing adequacy and sustainability of resourcing.

6.6. Workstream 4 – Organisational Design

6.6.1. Assessment of Deliverable 4.2

Deliverable 4.2 requires:

- Line 1 ownership of, and accountability for, risk management and compliance to be consistent with 3LOD principles;
- Divisional Hub and Spoke models to have the right size and right structure for the specific business; and
- Line 1 responsibilities to be clearly defined and communicated.

Activity 4.2.3

Design Activity 4.2.3 involved designing the Target State structure and operating model for the BCM teams across the Divisions.

The design principles for the application of the BCM model considered Westpac's 3LOD framework, including:

- clear accountability aligned to work processes;
- simplification through consistency; and
- agility to adapt to future needs of the Group.

The design of the BCM structure includes splitting the Division-specific BCM teams into a 'hub and spoke' model, with 'spokes' aligned to 'lines of business'. Guidance was developed around the activities of the BCM 'hubs' and 'spokes' as well as the front-line teams within the Divisions in line with the 3LOD principles.

Design of the Target State operating structures includes Division-specific teams, organisational charts across both 'hubs' and 'spokes' for each of the Divisions and the reporting lines of the various Divisional BCM teams. Divisional Group Executives approved the Target State structures.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the design of the BCM operating model, the assessment of resourcing requirements across the BCM operating models, governance and approval processes and the application of the BCM model across the Divisions.

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

define the Target State structure and operating model for the 'hub and spoke' BCM model across the Divisions.

We note that our assessments of future Activities in this Workstream will consider change governance processes around the operating model and progress in filling vacant BCM positions.

Activity 4.2.4

Implement Activity 4.2.4 involved establishing the BCM 'hub and spoke' model across the Divisions, supported by communications.

Activity 4.2.3 formed the basis of the implementation of the BCM 'hub and spoke' operating model. Westpac's criteria for implementation consisted of communicating changes to impacted employees, changes to job titles and the establishment of common role accountabilities across the differing BCM role levels, initiation of recruitment activities to fill the vacant positions, and the development of a change process for the BCM model.

The BCM operating model was approved by the various Divisions throughout December 2020 and accompanied by a communication and change plan. Consistency of job titles throughout the Divisional BCM structures was also achieved to support consistency and ease of identification of the roles across Westpac.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviewed relevant stakeholders on aspects of the Activity, including the implementation across Divisions, communication plans including the consultation pack and briefing pack used to communicate BCM operating model changes, the change governance process and the finalised BCM structure.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac has taken appropriate steps to implement the BCM 'hub and spoke' model across the Divisions.

We note that our assessments of future activities for this Workstream will consider role clarity as well as membership of Divisional Risk Committees and governance forums in light of the 3LOD operating model.

6.6.2. Assessment of Deliverable 4.3

Deliverable 4.3 requires Westpac to have clear statements of accountability for senior leaders, supported through communications and tools that demonstrate accountability and monitor accountability being exercised.

Activity 4.3.2

Implement Activity 4.3.2 involved establishing SOAs for senior leaders across Westpac.

Westpac used learnings from the implementation of the BEAR in the development of the template SOAs. Under the BEAR regime, General Managers had Statements of Responsibility which were developed with the assistance of external consultants. The Statements of Responsibility were adapted to form the basis of the Statement of Accountability template for the General Manager and General Manager 1 population.

The implementation of the SOAs included:

- The development of reference and education material and information hubs to support completion of the SOAs. This was supported by communication plans and timelines for completion.
- Identification of all roles required to complete the SOAs through reference to HR data sources, organisational charts, and staff engagement.
- Review and calibration of the SOAs by a central team.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the presence of frameworks to support the SOAs, the contents of the SOAs, the ongoing controls in place to ensure SOAs remain up to date and reflect role changes, coverage of the SOAs across required employees and the relationship of the SOAs with other documentation relating to roles and responsibility.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps in the implementation of SOAs, with appropriate activities in place to monitor feedback, the effectiveness and useability of the artefacts on an ongoing basis, and appropriate processes in place to review and action feedback, if required.

We note that our assessments of future Activities in this Workstream will consider automated monitoring processes around role changes and how impacts from value chain mapping and ongoing review of role profiles are reflected in SOAs.

Activity 4.3.4

Design Activity 4.3.4 involved ensuring accountability is captured in Westpac's core values, and implementing accountability in the Performance Management Platform, linking role deliverables to role responsibilities.

As part of Activity 2.2.1 Westpac launched the PVB statement which incorporated an accountability value, as well as four key accountability behaviours. Westpac built on the work completed in Activity 2.2.1 by issuing supporting documentation that outlines the changes being introduced by the PVB to help employees understand what accountability means for their team.

Westpac updated its Performance Management Platform, which is used in Westpac's performance evaluation cycle, to incorporate the new accountability value. Westpac considers

the Performance Management Platform a key channel to embed accountability as it establishes a checkpoint to enable employees have relevant conversations with their leaders and facilitate greater understanding of accountability.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including accountability in the PVB, the use of Westpac's Performance Management Platform, and clarification of role deliverables and accountabilities.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to ensure that accountability is captured in its core values and implemented in its Performance Management Platform.

We note that our assessments of future Activities in this Workstream will consider the Role Profiles currently being developed by Westpac in Activity 4.2.5 and whether any further guidance on accountability is needed for people leaders.

6.7. Workstream 5 – Remuneration & Consequence Management

6.7.1. Assessment of Deliverable 5.1

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

Activity 5.1.3

Implement Activity 5.1.3 involved incorporating changes to the risk adjustment process for STVR and updates to operating procedures in the regular remuneration cycle, including communications.

The design phase of Deliverable 5.1 was predominantly completed prior to the formalisation of the Program under the EU and closed from a design effectiveness perspective in April 2020.¹²

Westpac updated scorecards and related artefacts which detailed the revised responsibilities relevant to the risk adjusted updates to the STVR remuneration process. The changes made to the remuneration adjustment process were presented to BRiskC and Remuneration Oversight Committee (**ROC**) and subsequently received each committee's approval.

¹² As at the Reporting Date, the relevant Design Activities for Deliverable 5.1 were in the process of being assessed by Promontory.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity, including details of the adjustment process for STVR, new remuneration adjustment guidelines, communications issued to inform employees of the revised remuneration adjustment process for STVR and appropriate approvals of the remuneration adjustment process and guidelines.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to make changes to the risk adjustment process for STVR and incorporate the updated operating procedures into the regular remuneration cycle, with communications issued to impacted staff.

6.7.2. Assessment of Deliverable 5.2

Deliverable 5.2 requires the integration of risk gates and risk adjustment criteria, including issue resolution and closure, into the regular remuneration cycle.

Activities 5.2.2 and 5.2.3

Design Activity 5.2.2 involved reviewing remuneration scorecards for the presence of issues management measures. Design Activity 5.2.3 involved reviewing Westpac's Consequence Management Framework with regard to good issues management outcomes and consequences for inaction.

Prior to the establishment of the Program under the EU, Westpac undertook a formal review of the remuneration adjustment process in 2019. As part of Activities 5.2.2 and 5.3.3, Westpac leveraged findings from this review and also conducted a desktop review of the following artefacts:

- FY20 GM and GE Scorecard templates;
- FY20 GM and GE Scorecard Guidelines;
- Group Remuneration Adjustment Guidelines for Other Matters July 2020;
- Group Remuneration Adjustment Guidelines for Relevant Matters April 2020; and
- Group Consequence Management Framework March 2020.

Various stakeholders across Line 1 and Line 2 were consulted as part of the review process. The review identified a number of findings and recommendations.

After reviewing the combined Closure Pack for these Activities, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activities including the scope of the review, the consultation process and next steps and actions arising from the review.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had conducted an appropriate review of scorecard templates and the Consequence Management Framework with reference to supporting good issues management outcomes.

We note that our assessments of future Activities in this Workstream will consider additional aspects including updates made to the process and relevant artefacts, and the consistent application of relevant principles. Promontory also intends to review a sample of populated GE and GM scorecards for appropriate inclusion of issues management measures.

Activity 5.2.4

Design Activity 5.2.4 involved discussing proposed changes for consequence management related to issues management with Human Resources (HR) and providing recommendations to HR to include issues management measures into scorecards and the Consequence Management Framework for FY21.

A workshop was conducted with Operational Risk and HR on the application of remuneration consequences for risk and compliance matters, including issues management. Potential improvements discussed included amplifying recognition through application, and application of the Risk and Reputation modifier.

The outcomes of the desktop review (Activities 5.2.2 and 5.2.3), and the workshop that was held, were collated, noting:

- There were no recommended changes to scorecards or the adjustment framework, on the basis that these are fit for purpose.
- The focus will be on improving application for FY21.
- The WS 10 (Issues Management) change and communication plan includes activities to support the increased awareness and recognition of positive issues management practices. This is in addition to existing formal recognition programs at the Group and Divisional level that recognise positive risk management practices.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the scorecards, the Consequence Management Framework and associated guidance materials, and the extent of the engagement with HR.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to review remuneration frameworks and policies to ensure alignment and that these may support an effective approach to remuneration outcomes with respect to issues management.

As there were no recommended changes to scorecards or the adjustment framework, we note that as part of our assessment of future Activities in this Workstream, we will consider the approval processes of GE and GM scorecards and the considerations of weightings for issues management in the Risk and Reputation modifiers to understand the effectiveness of remuneration process.

6.7.3. Assessment of Deliverable 5.3

Deliverable 5.3 requires remuneration frameworks and policies to be aligned, consistent and regularly reviewed to be effective and support an efficient remuneration approach.

Activity 5.3.1

Design Activity 5.3.1 involved reviewing remuneration frameworks and policies to ensure alignment and that they support an effective approach to remuneration.

Westpac commissioned an external review of remuneration documents, including frameworks, policies and guidelines, to ensure alignment across the Group. Updates were made to the central system for recording remuneration reviews for consistency across Divisions, and guidance was issued regarding the application of remuneration consequences and the post-adjustment process.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the scope of the external review and outcomes, support and guidance material provided to relevant staff and the updated terms of reference of the approving committee.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to review the remuneration framework and policies to ensure alignment, consistency and support for an effective approach to remuneration across the Group.

Activity 5.3.2

Implement Activity 5.3.2 involved the centralisation of remuneration documents and maintaining records of policy rationalisation to improve the navigation of frameworks and policies.

An external review of remuneration documents was conducted to rationalise policies in order to improve navigation of frameworks and policies across the Group. Group Audit validated the review and identified areas for improvement with respect to accessibility.

Westpac's Consequence Management Framework (**CMF**) was implemented in 2018 and further updated and reviewed in 2019. As a result, Westpac centralised and improved the navigation of frameworks and policies by consolidating Divisional policies and ensuring central accessibility for employees.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the centralisation of remuneration documents and the rationalisation of policies to improve navigation.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had centralised remuneration documents and that there was evidence of the rationalisation of related Divisional policies.

Activity 5.3.3

Implement Activity 5.3.3 involved integrating the annual review and rationalisation of remuneration adjustment and consequence management frameworks and policies into the regular remuneration cycle.

Westpac put processes in place, including requisite approvals by appropriate committees, to ensure annual reviews of remuneration adjustment guidelines and its Consequence Management Framework are completed.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac integrated the annual review and rationalisation of remuneration adjustment and consequence management frameworks and policies into the regular remuneration cycle.

Promontory notes that as part of our assessments of future Activities in this Workstream we will consider whether the review cycle has resulted in further rationalisation of the framework and policies and whether there has been a more consistent approach with respect to the application of the remuneration frameworks and policies.

6.8. Workstream 6 – Risk Roles & Capability

6.8.1. Assessment of Deliverable 6.2

Deliverable 6.2 requires Westpac to have a capacity assessment methodology implemented across the 3LOD and for Line 2 to have sufficient capacity in specialist risk roles.

Activity 6.2.1

Design Activity 6.2.1 involved confirming Line 2 capacity requirements.

The capacity requirement identified was based on work done by the Risk business units to estimate FTE required to undertake activities where there were gaps or to improve existing BAU risk management activity. Run costs and resources were estimated based on the essential activities for each team in the Risk Division. Capacity and the total number of Line 2 resources were also benchmarked against local and global benchmarks. Subsequently, the incremental FTE for FY20 and FY21 were approved.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the approach and methodology used to establish the incremental capacity required across FY20 and FY21 and the alignment of Line 2 resourcing requirements with local and global benchmarks.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had confirmed the target capacity required in Line 2 roles.

Promontory notes that as part of our assessment of the Implement and Embed Activities for Deliverable 6.2, we will refer closely to Deliverable 6.3 to better understand the capability of Line 2 and the Capability Framework.

6.8.2. Assessment of Deliverable 6.3

Deliverable 6.3 requires Line 2 to maintain an adequate level of risk expertise and capabilities, supported by the Risk training curriculum for Line 2 staff.

Activity 6.3.1

Design Activity 6.3.1 involved updating the Risk Capability Framework.

A review of the Risk Capability Framework was conducted with the purpose of refreshing the existing Capability Framework based on several inputs, such as the CGA self-assessment, which noted a need for “risk professionals to have the skills, experience and confidence to provide the right balance of challenge and insight to decision makers across the Bank”. An updated Capability Framework was developed and subsequently reviewed and approved by the Risk ET and the GE of the FCC&C. The updated Risk Capability Framework is intended to be used to support recruitment, capability development, performance management and talent mobility of Line 2 risk and compliance professionals.

Going forward, the Risk Capability Framework will be reviewed annually.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the gaps identified in the current-state Risk Capability Framework, the review and research undertaken to update the Framework and the content of the final Framework.

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

6.8.3. Assessment of Deliverable 6.4

Deliverable 6.4 requires Line 1 to have adequate risk management capabilities commensurate with roles and responsibilities, and to uplift capabilities across all risk classes including through training, communications, change management, recruitment, and process changes.

Activity 6.4.2

Design Activity 6.4.2 involved defining Line 1 capability uplift requirements for Financial Crime, Operational Risk, Compliance and Conduct risk classes.

In defining the capability uplift required, Westpac utilised the 3LOD guidance materials to perform a gap analysis of current Line 1 capabilities.

In undertaking the gap analysis, BCM teams performed an initial capability assessment of the Line 1 businesses they oversee using the 3LOD guidance materials. Workshops were held across the Divisions to validate and further populate the gap assessment. Division Group Executives approved the analysis.

Based on the analysis, Division-specific gap assessments and initiatives were identified to uplift capabilities. In addition, a Group-level summary document was produced that highlighted common Line 1 gaps across the Group, the existing initiatives that would contribute to closing the gaps, and a high-level view of where additional initiatives would be required.

An alternate approach was taken to assessing BCM capabilities, with an Activity-level analysis performed to identify accountabilities and responsibilities.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the scope and nature of the gap assessments and the output of the gap assessments and activity completion analysis, including understanding where Group-wide versus Division specific initiatives were planned to close gaps.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to define Line 1 capability uplift requirements.

6.8.4. Assessment of Deliverable 6.6

Deliverable 6.6 requires Westpac to have adequate capabilities in place through the Risk Fundamentals training program and the micro-credentials program, and have externally accredited and recognised risk practitioners.

Activity 6.6.1

Design Activity 6.6.1 involved designing the initial set of training modules for the 'Risk Fundamentals' training program and the 'micro-credentials' program.

Westpac developed a 'Risk Fundamentals' training program with the objective of building broad awareness of risk, risk culture and core risk concepts across the Group. The program comprises:

- four mandatory e-learning modules;

- virtual workshops, with different sessions for executives and customer facing staff; and
- external accreditation of risk competency.

Consultation took place with Line 1 and Line 2 representatives across the Group in the development of the material. Test and learn sessions were also run with the virtual workshops to test fitness for purpose. Westpac also established a formal learning forum to support the building of risk capability across the Group.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the scope and operation of the formal learning forum, the basis of the content for the e-learning modules and the scope of the virtual workshops and micro-credentials.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to design the initial set of training materials as part of the 'Risk Fundamentals' training program.

Promontory notes that as part of our assessment of the Implement and Embed Activities for Deliverable 6.6, we will consider the nature of success measures developed to monitor effectiveness of the training, how completion of micro-credentials is being assessed and ongoing training business as usual cycles.

6.8.5. Assessment of Deliverable 6.8

Deliverable 6.8 requires management and Board level risk governance forums to provide effective management and oversight of the Westpac's management of risk, facilitated by adequate risk reporting.

Activity 6.8.1

Design Activity 6.8.1 involved reviewing recently completed and current risk report writing improvement activities for the Group Risk Committee and BRiskC to identify further improvement opportunities and to develop a plan to support identified activities.

In considering additional improvements that could be made to risk report writing capabilities, Westpac undertook the following analyses:

- a quantitative review of risk committee agendas, papers, and minutes;
- a review of new and updated risk reports to identify recent enhancements and the rationale for change; and
- an assessment of current initiatives to improve risk report writing capabilities.

The results of the analyses undertaken by Line 2, with input from Group Secretariat, were used to facilitate a session and seek feedback and agreement of the proposed actions from selected Non-Executive Directors. Key agreed activities included:

- extension of the existing Board paper writing skills session to a broader audience;
- inclusion of upfront and additional risk paper review mechanisms, including introducing a mechanism for rating papers; and
- ongoing tracking of key Board paper metrics to evidence improvements.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the consultation processes in preparing the review of existing activities, the nature of the training to be extended to support Board paper writing skills and the proposed ongoing tracking mechanisms to monitor the effectiveness of the initiatives.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to analyse the aspects of risk report writing that require further improvement and has a plan to implement further improvement activities.

6.9. Workstream 7 – Transformation Capability & Delivery

6.9.1. Assessment of Deliverable 7.5

Deliverable 7.5 requires Westpac to have clear roles and responsibilities for managing risk in change, with capability pathways in place to strengthen change leaders' and change practitioners' accountability to successfully deliver change outcomes

Activity 7.5.1

Design Activity 7.5.1 involved defining 3LOD roles and responsibilities for managing risk in change. In defining the 3LOD roles and responsibilities, Westpac aligned them with the 3LOD principles, notably including:

- Line 1 responsibility to proactively identify, evaluate, own and manage the risks in their domain; and
- Line 2 responsibility to review and challenge Line 1 activities and decisions that may materially affect Westpac's risk position, and independently evaluate the effectiveness of the Line 1's controls, monitoring, compliance, and monitors progress towards mitigating risks.

A 3LOD Target State design for project risk that was developed, containing an illustration of risk management roles and responsibilities, was used as a working document to inform the development of the roles and responsibilities. A consultation process between various Line 1 and Line 2 stakeholders was undertaken to help to define and revise the 3LOD roles and responsibilities.

Upon completion of the Activity, roles and responsibilities for managing risk in change within the change execution frameworks were documented in the Delivery Excellence Knowledge Centre.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the consultation processes undertaken, communications issued, the endorsement of the redefined roles and responsibilities across the 3LOD, and the assessment of capability requirements conducted as part of redefining roles and responsibilities.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to define the 3LOD roles and responsibilities for managing risk in change.

Activity 7.5.2

Design Activity 7.5.2 involved defining a risk in change capability learning pathway for change leaders and change practitioners.

In defining the capability learning pathway, Westpac took the following attributes into consideration:

- alignment to 3LOD roles and responsibilities for managing risk in change;
- coverage of both Delivery Risk and Delivered Risk objectives;
- identification of learning outcomes, experiences, and measures of success;
- a phased approach and timeline to build, test, and implement learning; and
- approval by the Head of Delivery Excellence in line with delegated authority.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the design principles, the learning outcomes, learning experiences and associated measures.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to define the risk in change capability learning pathway for change leaders and change practitioners.

6.9.2. Assessment of Deliverable 7.6

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

Activities 7.6.1 and 7.6.3

Design Activity 7.6.1 involved defining delivered risk management updates to Westpac's change execution frameworks. Implement Activity 7.6.3 involved actioning updates identified

as part of Activity 7.6.1 to Westpac's change execution frameworks and retiring superseded content.

Westpac established an initiative to ensure that delivered risk considerations were 'built in' to the project lifecycle. This involved a review of existing delivered risk policy content and guidance and a determination on the relevant content to be integrated within Westpac's change execution frameworks (Activity 7.6.1). Through this process, enhancements to delivered risk management activities were identified. Westpac subsequently transitioned relevant delivered risk management content and identified enhancements to its change execution frameworks within Westpac's Delivery Excellence Knowledge Centre platform and retired superseded content (Activity 7.6.3). This included updates to associated tools and templates. The change activity was supported by:

- relevant approvals;
- online communications detailing the nature of the updates to content, tools, and templates; and
- information briefing sessions to strengthen awareness and understanding of the changes.

After reviewing the combined Closure Pack for these Activities, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activities including the scope of the review and approach undertaken, the consultation process, the nature and impact of changes to systems and tools, guidance and support available, and next steps.

Based on our assessment of the combined Closure Pack, the additional information we received, and the sessions held with Westpac, we concluded that Westpac had taken appropriate steps to define and integrate updated delivered risk management content within its change execution frameworks.

Activity 7.6.2

Design Activity 7.6.2 involved defining and communicating portfolio management standards across the change portfolio.

Westpac developed a Portfolio Management Standard that incorporates existing standard operating procedures with respect to managing and overseeing change portfolios and mitigating change execution risks. The Portfolio Management Standard draws together information from a range of existing relevant portfolio management materials in a central artefact to be used by portfolios within the Group. The development of the Portfolio Management Standard was supported by:

- external research and internal subject matter expertise;
- analysis of a range of inputs including existing models, training, and feedback; and
- consultation with relevant stakeholders, including Divisional Portfolio Management Teams.

The launch of the Standard was supported by:

- email communications detailing the nature of the updates to content, tools, and templates;
- presentations to relevant stakeholders to strengthen awareness and understanding of the Standard and implementation requirements; and
- a control designed to ensure ongoing effectiveness of the Standard.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the development approach undertaken, the consultation process, and mechanisms to ensure ongoing consistent application and compliance with the Standard.

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

We note that our assessments of future Activities in this Workstream will consider additional aspects relating to the application of the Standard, including relevant control execution, the outcomes of planned reviews and any additional training and communications as required.

6.9.3. Assessment of Deliverable 7.7

Deliverable 7.7 requires the accessibility of change and risk management information to be improved, including the delivery confidence assessment and governance reporting to strengthen management and delivery accountability and effectiveness.

Activities 7.7.1 and 7.7.2

Design Activity 7.7.1 involved conducting a Performance and Confidence Assessment Proof of Concept (**POC**). Design Activity 7.7.2 involved defining a Program and Project 'Confidence Assessment' approach using the outcomes of the POC.

The 'Confidence Assessment' was designed and implemented with an objective of providing programs and projects with an early warning system for potential Delivery and Delivered Risk. The development of the Confidence Assessment criteria was supported by:

- conducting a POC with selected in-scope Risk Portfolios; and
- sharing outcomes of the POC with the Enterprise Change Leadership Team.

A pilot of the 'Confidence Assessment' approach was conducted across an identified sample of high-priority projects. Communications relating to the introduction of 'Confidence Assessment' were issued.

After reviewing the combined Closure Pack for these Activities, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activities including the outcomes of the POC and the Program and Project Confidence Assessment.

Based on our assessment of the combined Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had conducted a Performance and Confidence Assessment POC and defined a Program and Project Confidence Assessment approach using outcomes of the POC.

Activities 7.6.4 and 7.7.3

Design Activity 7.6.4 involved defining enhancements to the change execution frameworks to manage risk in change. Design Activity 7.7.3 involved defining enhancements for portfolio and program governance reporting to address risk management pain points.

Westpac defined the scope of risk in change, including Delivered Risk and Delivery Risk. A complete set of pain points were analysed and pain points relating to Delivered and Delivery Risk were identified and categorised into eight themes. Leading practices in managing Delivered and Delivery Risk, including reporting, were considered and mapped to four key areas of "what good looks like". Enhancements were prioritised and then communicated with stakeholders for input, review, and challenge. Approvals were obtained from Workstream GM Owners and Accountable Executives.

After reviewing the combined Closure Pack for these Activities, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activities including the pain points, traceability and enhancements made.

Based on our assessment of the combined Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had appropriately defined required enhancements to the change execution frameworks and portfolio and program governance reporting to manage risk in change and address risk management pain points.

6.10. Workstream 8 – Risk Management Framework

6.10.1. Assessment of Deliverable 8.1

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

Activity 8.1.1

Design Activity 8.1.1 involved updating the Group RMF and Risk Management Strategy (**RMS**) to reflect the Target State 3LOD model and the new Risk Taxonomy (including ownership of risk classes).

Westpac updated its Group RMF and RMS, aligning them to Westpac's Risk Taxonomy, as approved by the BRiskC, as well as its 3LOD Target State Model. In updating these artefacts,

Westpac completed a three-week consultation period that included workshops with various stakeholders and collected and consolidated feedback from the sessions. Westpac reviewed and assessed the feedback and incorporated the updates where appropriate.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had updated its RMF and RMS to reflect the Target State 3LOD model and risk taxonomy.

We note that our assessments of future Activities in this Workstream will consider whether the artefacts submitted as part of the subsequent activities within this Deliverable align with the Westpac's 3LOD Model Standard, including relevant roles and responsibilities across the 3LOD.

6.10.2. Assessment of Deliverable 8.2

Deliverable 8.2 requires:

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

Activity 8.2.1

Design Activity 8.2.1 involved finalising the new construct of the Group RAS, including alignment with the updated Risk Taxonomy Level 1 Risks, qualitative statements and measures, and obtaining Board approval.

Westpac updated its Group-wide Level 1 Risk Taxonomy and Group RAS, which contains the measures for each of the Level 1 Risk Classes in the updated Taxonomy. The Board approved the Group RAS.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including when the updated Group-wide Level 1 Risk Taxonomy was finalised and approved by the Board, the process undertaken by Westpac to determine the qualitative statements and measures in the Group RAS, the next steps for the thresholds that have not yet been defined, and the details around the effective date of the Group RAS and the next annual review date.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to finalise the new construct of the Group RAS, that the Group RAS is aligned with the updated

Group Risk Taxonomy Level 1 Risks, qualitative statements and measures and that the required approvals were sought and obtained.

We note that our assessments of future Activities in this Workstream will consider whether the thresholds for the Risk Class measures have been calibrated and refined as per the timeframe indicated in the Group Risk Appetite Dashboard and whether the annual review of the Group RAS is completed and approved in a timely manner.

Activity 8.2.2

Design Activity 8.2.2 involved enhancing the Risk Appetite Policy to include clearly defined governance processes, roles and responsibilities, and updated guidance on managing out-of-appetite risks.

The Risk Appetite Policy was updated and subsequently approved by the Group CRO, and the updated Policy was communicated to the business.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the approach to internal consultation on the updates to the Group Risk Appetite Policy, and the expected changes to the Group Risk Appetite Policy in the next review cycle.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had an appropriate pre-determined process for the conduct of its annual review of the Group Risk Appetite Policy, and that the expected changes to the Group Risk Appetite Policy in the next annual review cycle align with the other activities in the Deliverable.

We note that our assessments of future Activities in this Workstream will consider the outcomes of the next Group Risk Appetite Policy annual review.

6.11. Workstream 10 – End-to-end Risk & Control Environment

6.11.1. Assessment of Deliverable 10.2

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

Activity 10.2.1

Design Activity 10.2.1 involved developing a controls framework within Westpac's Risk and Control Assessment Policy, including defining the methodology to support controls standardisation and roles and responsibilities with respect to controls. Additionally, the Activity involved constructing a Group Controls Library, supported by an appropriate governance model.

Westpac configured a Group Controls Library, consisting of standardised control types, within the JUNO platform to enable the consistent categorisation of controls. An automated mapping exercise was undertaken to reassign existing control instances to the new Group Control Library control types. The development and rollout of the Group Controls Library was supported by:

- support and insights provided by an external consultant;
- analysis of a range of inputs including risk mapping to control types; and
- consultation with relevant stakeholders, including Risk Class Owners.

Furthermore, Westpac documented an updated approach to control management within its Risk and Control Assessment Policy, including information on roles and responsibilities relating to the management of controls using the Group Controls Library. This was supported by guidance material in relation to control creation and management using the Group Controls Library.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the scope and approach to the launch of the Group Controls Library, consideration given to Westpac's Obligations Library, and alignment with broader risk management frameworks and models.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had constructed a Group Controls Library, leveraging the functionality of the JUNO system, and aligned this with Westpac's Group Risk Library. Further, we concluded that Westpac had updated its Risk and Control Assessment Policy to reflect requirements in relation to the Group Controls Library and supplemented these requirements with documented guidance material.

We note that our assessments of future Activities in this Workstream will consider planned control validation activities, integrated risk and compliance assessments, the implementation of sustainable governance and oversight measures, and the approach to ensuring ongoing control data integrity.

6.11.2. Assessment of Deliverable 10.3

Deliverable 10.3 requires:

- Westpac to have robust processes in place to identify control gaps and weaknesses across value chains and risk profiles;
- control gaps and weaknesses to be logged as issues in JUNO with sound action plans created;
- adequate Control Self-Assessment (**CSA**) guidance and training as well as assessment and control monitoring processes to be in place; and

- controls oversight to be a mandatory agenda item at Divisional risk governance forums.

Activity 10.3.1

Design Activity 10.3.1 involved delivering enhanced CSA guidance and training.

Group Audit completed a review of the Risk & Control Management (**RCM**) Policy, guidance and monitoring of Divisional CSAs in 2019. The CSA guidance was updated to address the key themes identified. Changes were approved including:

- Design effectiveness (Control walkthrough) – a simplified approach as a minimum standard and walkthrough required for new and materially changed controls;
- Design effectiveness (Automated controls) – a simplified auto-component walkthrough to align with control owner skillset with a focus on business application control design and outputs; and
- Monitoring and quality review processes – a simplified Line 1 and Line 2 control assessor performance monitoring and increased flexibility across both the frequency of assessment reviews and in the use of assessment review templates.

Updated CSA training was approved and subsequently delivered.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity, including the CSA guidance and the CSA training delivered.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had appropriately designed and delivered enhanced CSA guidance and training.

6.11.3. Assessment of Deliverable 10.4

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

Activity 10.4.3

Design Activity 10.4.3 involved the Westpac CEO issuing communications articulating expectations for high-rated issue closure to GEs and GMs. The Activity further involved GEs and GMs closing out, downgrading, or extending relevant high-rated issues and defining appropriate action plans for outstanding high-rated issues.

The CEO issued an email communication to GEs and GMs setting expectations and actions in relation to the management of existing high-rated issues, and this messaging was cascaded within the Divisions. Progress was made by the Divisions in closing out, downgrading, and extending in-scope high-rated issues. A small number of residual overdue high-rated issues remained, and these were reported to the Group ET.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity, including cascaded communications, the residual overdue high-rated issues, and the implementation of action plans for extended high-rated issues.

Promontory conducted three interviews with Divisional stakeholders to discuss a sample of in-scope issues, including progress made in developing and recording action plans and addressing issue root causes.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that the CEO issued appropriate communications setting expectations around the management of high-rated issues, and there was evidence of progress made to close out in-scope issues and develop and document appropriate action plans for outstanding in-scope issues.

Through the course of our assessment of this Activity, we identified a residual issue in relation to the development and documentation of action plans for high-rated issues. Going forward, we will monitor Westpac's progress in addressing this issue. We note that Westpac has provided evidence of governance over high-rated issues, including addressing open high-rated issues from 30 September 2020.

We note that our assessments of future Activities in this Workstream will consider Westpac's progress in closing out in-scope high-rated issues.

Activity 10.4.4

Implement Activity 10.4.4 involved the CEO communicating to GEs and the wider organisation on the outcomes of the issues management closure drive and issue management resolution (undertaken as part of Activity 10.4.3).

Westpac's CEO communicated the outcomes of the issues management closure drive to the ET. Westpac has developed and rolled out a series of communications which reinforced the importance of issues management, raising issues in JUNO and resolving issues on time and durably closing them. Westpac also rolled out a mandatory eLearning course, which is focused on issues and incident management.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the communications between the CEO and GEs regarding issues management closure and relevant next steps, and communications concerning the importance of raising issues and closing issues in JUNO.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that CEO communications regarding issues management and communications to the wider organisations regarding the importance of raising and closing issues in JUNO have been implemented.

We note that our assessments of future Activities in this Workstream will consider whether these communications have led to a sustainable reduction in the number of high-rated issues and whether Westpac has improved its issue management outcomes.

Activity 10.4.5

Design Activity 10.4.5 involved reviewing the focus of issues management reporting, including processes, templates, and guidance available, and providing updated template guidance to senior leaders to improve issue management reporting.

Prior to the formal establishment of the Program under the EU, Westpac undertook a review of risk-related reporting as part of a BAU exercise. The findings of this review were adopted as an input to this Activity with respect to defining the current state of issues management reporting and were reported to the BRiskC. Subsequently, uplift actions were identified and executed with respect to Divisional coverage of issues management and outcomes, particularly in relation to high-rated issues. A new high-rated issue reporting template, including associated business rules and guidance material, was developed and communicated to Divisional Line 2 representatives.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity, including the scope, approach and outcomes of the review, relevant governance and oversight mechanisms, and roles and responsibilities for issues management reporting.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had completed a review of issues management reporting, including identifying areas for uplift to support improved issue management. Furthermore, we concluded that Westpac had provided appropriate issues management reporting templates and guidance to senior leaders.

We note that our assessments of future Activities in this Workstream will consider additional aspects relating to issue management reporting, including planned enhancements to reporting and data capability, updates to relevant policies, processes and guidance materials, and outcomes of the planned uplifts.

6.11.4. Assessment of Deliverable 10.6

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

Activity 10.6.1

Design Activity 10.6.1 involved identifying root cause analysis 'practice leaders' and reflecting this capability in Westpac's Issues Management Policy and related artefacts.

Westpac identified senior resources across Divisional Line 1 teams and 3 roles across central Line 2 teams to act as root cause analysis 'practice leaders'. The criteria for determining these roles includes seniority, organisational awareness, and capability. Communications were subsequently distributed to formalise the appointment of the identified resources.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity, including the approach used to identify appropriate resources, consideration given to capacity and capability, documentation and guidance developed or updated, and the definition of relevant roles and responsibilities, obligations, requirements, and accountabilities.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had identified a group of root cause analysis 'practice leaders' in line with capability requirements and representation across the Group. Furthermore, we concluded that, whilst the specialist capability had not yet been reflected in relevant artefacts, given the transition to the 'Risk Assist' virtual assistant model (and away from a traditional documented 'playbook'), appropriate planning has taken place to sequence this work through the delivery of subsequent Activities.

We note that our assessments of future Activities in this Workstream will consider additional aspects relating to the enhancement and embedment of root cause analysis capability, including further clarification and documentation of the root cause analysis 'practice lead' role and responsibilities, the ongoing adequacy of resourcing capacity, and tools, guidance and training material developed.

Activity 10.6.2

Design Activity 10.6.2 involved establishing a process whereby key stakeholders and root cause analysis 'practice leaders' (identified in Activity 10.6.1) regularly meet to discuss issues identified and potential systemic or thematic issues.

An inaugural root cause analysis 'practice leaders' meeting was held. The group discussed the overall vision of developing a proactive and standardised root cause analysis practice for major incidents and systemic or thematic issues.

Westpac established the Root Cause Analysis Forum as a platform for collaboration between root cause analysis 'practice leaders', Enterprise Risk, Divisional and LOB stakeholders to drive the investigation of major incidents and systemic or thematic issues for the Group. The Forum is supported by a Terms of Reference that was endorsed at the Forum's second meeting.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the operation of the Root Cause Analysis Forum, the identification of key stakeholders to support root cause analysis activities, and whether a pipeline of potential systemic or thematic issues has been identified for root cause analysis.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that a process has been established to identify potential systemic or thematic issues. We note that the process will involve regular meetings between key stakeholders and the root cause analysis 'practice leaders' to discuss issues, including potential systemic or thematic issues.

6.12. Workstream 12 – Compliance Management

6.12.1. Assessment of Deliverable 12.4

Deliverable 12.4 requires the Board to have visibility on emerging legal and regulatory developments through reporting on a six-monthly cycle.

Activity 12.4.1

Design Activity 12.4.1 involved designing a Board report providing information on emerging legal and regulatory developments, including associated impacts and change requirements.

Westpac developed the first iteration of its Emerging Regulatory and Legal Themes report, leveraging existing regulatory change data feeds, and both internal and external subject matter expertise. The first iteration of the report was presented to the BLRCC, and subsequently noted by the committee.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity, including the approach to developing the report and stakeholder consultation undertaken, the sources, scope and criteria used to determine the content of the report, the demarcation in relation to the existing reporting suite, and the approach to conducting impact assessments.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had designed and introduced a new Board-level report that captures emerging legal and regulatory developments and associated impacts. The Emerging Regulatory and Legal Themes report supplements existing legal and regulatory reporting to the Board, with some overlap in terms of content.

We note that our assessments of future Activities in this Workstream will consider additional aspects relating to the reporting provided to the Board on emerging legal and regulatory themes, including the outcomes of the 'test and learn' approach adopted by Westpac, the flow through of reporting to influence business and strategic planning processes, the ongoing effectiveness of the reporting, efforts to simplify and/or streamline reporting, and the formalisation of reporting operating procedures.

6.13. Workstream 13 – Conduct Risk

6.13.1. Assessment of Deliverable 13.1

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

Activity 13.1.1

Design Activity 13.1.1 involved the development of a new Code of Conduct, flowing from the Westpac's PVB.

The revised Code of Conduct utilised benchmarking across both Australian and international peer organisations in the development of content. Enhancements to the previous Code of Conduct included a clearer scope of application, greater linkage to the PVB, inclusion of the 'Should We?' test, linkage to underling conduct policies, clearer content with regards to speaking up and accountabilities for people leaders. The new Code of Conduct also includes both CEO and Board Chair endorsement.

The new Code of Conduct has been Board approved and supported by a communication plan over two phases:

- launch and initial awareness, with a focus on tone from the top and creating central resources; and
- embedment and continuing momentum, with a focus on integrating the Code into employee day to day actions, including employee lifecycles.

Westpac made its Code of Conduct available on its public website as well as accessible to all employees of Westpac Group, with the exception of Westpac New Zealand which maintains a standalone Code of Conduct.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity primarily related to approval mechanisms related to the Code of Conduct.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to develop a new Code of Conduct in alignment with its PVB.

6.13.2. Assessment of Deliverable 13.3

Deliverable 13.3 requires roles and responsibilities for the management of Conduct Risk to be clearly defined across the 3LOD.

Activity 13.3.1

Design Activity 13.3.1 involved defining roles and responsibilities across the 3LOD in relation to conduct risk, including roles for monitoring, reporting, training, governance, and management information activities.

Westpac developed a Non-financial Risk Class 3LOD Target State guidance document that provides detail on the suite of tasks, activities and artefacts that support Westpac's 3LOD model as it applies to the Operational, Compliance and Conduct, and Financial Crime Risk Classes. The guidance documentation was approved by the relevant GE Risk Class Owners. The content was supported by a mapping exercise undertaken by Westpac to ensure coverage across roles related to undertaking monitoring, reporting, training, governance and management information activities.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the planned updates to role descriptions and performance metrics, and the assessment of capacity requirements going forward.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had defined target-state roles and responsibilities across the 3LOD for conduct risk and that this was appropriately documented and approved.

We note that our assessments of future Activities in this Workstream will consider additional aspects relating to roles and responsibilities across the 3LOD as applicable to conduct risk, including updates to role descriptions and supporting materials and the measures put in place to support the ongoing sustainability of the 3LOD model.

6.14. Workstream 14 – Customer Complaints

6.14.1. Assessment of Deliverable 14.1

Deliverable 14.1 requires Westpac to have effective customer complaints reporting, a centralised, aligned approach to complaints management, and complaints management metrics included in relevant Group Executive scorecards.

Activities 14.1.1 and 14.1.2

Design Activity 14.1.1 involved reviewing and enhancing customer complaints management, including the operating model, reporting, governance, and accountabilities. Implement Activity 14.1.2 involved implementing the required enhancements to customer complaints management identified in Activity 14.1.1.

Westpac's Complaints Management Framework, which includes policies, standards, and playbooks, is underpinned by defined processes and controls, collectively known as the Complaints Monitoring Framework. To facilitate embedment, control design and operating effectiveness is periodically evaluated. To identify areas for improvement, quality assurance checks were tested on a periodic and sample basis to review compliance with Westpac's policy and regulatory requirements.

To ensure that complaints are being managed to the required standard, the Board receives monthly reporting, underpinned by Divisional and operational management reporting. The Accountability Framework for complaints management is supported by performance scorecards for GEs and SOAs. Customer and Corporate Relations also has a dedicated reporting team, that publishes, manages, and maintains data around complaints. A number of enhancements were made to complaints reporting, for example, the introduction of new metrics to support regulatory compliance and understanding of complaints management.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had designed its Complaints Management Framework to enable the ongoing identification, review and implementation of enhancements to its approach. Further, we concluded that the work Westpac undertook to enhance its customer complaints management should support Westpac's compliance with both external and internal requirements on an ongoing basis.

Activity 14.1.3

Embed Activity 14.1.3 involved evidencing the closure of relevant CGA recommendations, in relation to uplifting customer complaints reporting, centralising and standardising the complaints management operating model to include insurance businesses, and updating executive scorecards to appropriately reflect metrics linked executive accountability for ensuring effective complaints management.

Prior to the formal establishment of the Program under the EU, Westpac conducted a review to identify enhancements to its approach to customer complaints management (Activities 14.1.1 and 14.1.2). The Customer and Corporate Relations Division subsequently implemented these actions, with assurance provided by Group Audit in relation to the operating effectiveness of these actions in addressing relevant recommendations made through the original CGA process. Activity 14.1.3 represents the finalisation and closure of the related CGA recommendations. Westpac provided the respective Closure Packs prepared by management, with Group Audit assurance, to evidence the completion of this.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity, including the approach taken by the business to review and uplift relevant existing complaints management practices, the approach taken by Group Audit in performing operating effectiveness assessments, the outcomes of the changes delivered, and the approach to ensuring the sustainability of the changes delivered on an ongoing basis.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had undertaken actions to uplift its complaints management operating model, reporting, and related metrics contained within Group Executive scorecards to close out the respective CGA recommendations. Group Audit also provided evidence of its review over these actions that substantiated its closure of each respective recommendation.

We note that, as part of our assessment of the closure of Deliverable 14.1, we will consider additional aspects relating to the enhancements delivered to Westpac's complaints management approach, including evidence of sustained reduction in long-dated complaints, the outcomes of planned monitoring and continuous improvement activities to ensure the ongoing effectiveness of Westpac's complaints management approach and compliance with regulatory requirements.

6.14.2. Assessment of Deliverable 14.2

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

Activities 14.2.3, 14.2.4 and 14.2.5

Embed Activity 14.2.3 involved drafting a Closure Pack to finalise the closure of the CGA recommendation in relation to the review and uplift of Westpac's Customer Complaints Policy. Embed Activity 14.2.4 involved monitoring the operationalisation of the changes made to Westpac's Customer Complaints Policy. Embed Activity 14.2.5 involved obtaining approval of the Closure Pack from the Group Executive, Customer and Corporate Relations and Group Audit, to finalise the closure of the relevant CGA recommendation.

Prior to the formal establishment of the EU CORE Program, Westpac undertook to review, update and communicate the requirements of its Customer Complaints Policy, with assurance over these actions provided by Group Audit. Activities 14.2.3, 14.2.4 and 14.2.5 represent the finalisation and closure of the CGA recommendation related to Westpac's Customer Complaints Policy. Westpac provided the respective Closure Pack prepared by management, with Group Audit assurance, to evidence the completion of this.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity, including the approach taken by the business to review and uplift the Customer Complaints Policy, the approach taken by Group Audit in performing operating effectiveness assessments, the outcomes of the changes delivered, the monitoring framework and controls in place, and the approach to ensuring the sustainability of the changes delivered on an ongoing basis.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had undertaken actions to close out the respective CGA recommendation and monitor the delivered changes. Group Audit also

provided evidence of its review over these actions that substantiated its closure of the recommendation.

We note that, as part of our assessment of closure of Deliverable 14.2, we will consider additional aspects relating to the changes made to Westpac's Complaints Management Policy, including progress made in embedding the Complaints Monitoring Framework, control effectiveness, and the completion of associated actions.

6.14.3. Assessment of Deliverable 14.3

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

Activity 14.3.1

Design Activity 14.3.1 involved establishing the design for a centralised complaints management system and a release schedule.

Westpac gathered business requirements which fed into the functionality requirements of Westpac's complaints management system, defined the objectives and the desired business and customer outcomes, established a high-level design release schedule and established project governance and accountability, in alignment with Westpac's Project Execution Framework.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had designed a centralised complaints management system, including an approach to delivery.

Activity 14.3.2

Implement Activity 14.3.2 involved building and testing Westpac's centralised complaints management system functionality for the Bank (excluding the wealth management business and Westpac Institutional Bank retail).

Westpac has completed build and test activities over several phases of the project since 2019. Risk Assurance provided design effectiveness assurance over five key controls relating to the system's first release (**Release 1**). The assurance found that all five controls were designed effectively, three were operating effectively and the operating effectiveness for the remaining two controls would be tested after the system went live to allow for an adequate testing sample. Westpac sought appropriate approval from the Complaints Transformation Steering Committee for the rollout of Release 1, which is the governance forum that provides oversight over the complaints management system scope, implementation progress, integrated change management activities and outcomes, as well as management of risks and issues. Release 1 included system enhancements such as automated customer notifications.

Westpac issued several communications to promote the awareness of the project, the complaints management system, and its objectives.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the User Acceptance Testing results, the design and operating effectiveness assessment activities performed over the relevant controls, and the Release 1 Change Program and User Adoption statistics.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had built and tested its complaints management system as part of the rollout of Release 1.

We note that our assessments of future Activities in this Workstream will consider the outcomes of planned control operational effectiveness testing, the extent to which key themes raised from feedback have been addressed, and completion rates for related training modules.

Activity 14.3.3

Implement Activity 14.3.3 involved updating the Group Complaints Management Standard and Complaints Management 'Playbooks'. The Playbooks are documents which align to the Group's Complaints Management Standard and are designed to provide guidance to staff on how to manage complaints consistently across the Group. They also provide checklists against the standards and key regulatory obligations.

Westpac updated the Group Complaints Management Standard, and Customer Solutions Playbook and designed a new First Point Resolution Playbook. In updating and creating these documents, Westpac engaged various internal and external stakeholders, and conducted a number of workshops and one-on-one interviews with individuals from the Customer Solutions team, front-line complaints handling staff, Risk, Legal, Compliance, the customer advocate and other business stakeholders.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the feedback received from regulatory bodies and internal stakeholders on the Group Complaints Management Standard, the approach to updating the Group Complaints Management Standard and mechanisms to capture feedback, how the Playbooks are accessed across the organisation and the approach to conducting post-implementation review activities.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to update the Complaints Management Standard and create relevant Playbooks, there are appropriate activities in place to monitor feedback, effectiveness and useability of the Playbooks on an ongoing basis, and appropriate processes are in place to review and action feedback, if required.

We note that our assessments of future Activities in this Workstream will consider outcomes of reviews relating to the usage and adoption of the Playbooks, and whether further revisions

to the Complaints Management Standard and Playbooks are subject to appropriate consultation, review and approval.

Activity 14.3.4

Implement Activity 14.3.4 involved rolling out Release 1 of Westpac's centralised complaints management system to in-scope Release 1 users, and monitoring and addressing any challenges in transition.

Westpac developed and provided training and communications to in-scope staff relating to the complaints management system and put in place governance and implementation support measures. In monitoring the transition and allowing for the early identification and addressing of challenges that arose, the Complaints Transformation Steering Committee provided oversight over the roll-out, and also utilised user surveys to seek feedback.

Based on our assessment of the Activity's Closure Pack, we concluded that Release 1 of the centralised complaints management system had been rolled out to the Bank (excluding the wealth management business and Westpac Institutional Bank retail) and this roll out was supported by governance and oversight mechanisms, a series of training sessions, workshops and supporting artefacts in a question-and-answer style.

6.14.4. Assessment of Deliverable 14.4

Deliverable 14.4 requires the second release of Westpac's centralised complaints management system to be rolled out across the bank (including the Wealth business).

Activity 14.4.1

Design Activity 14.4.1 involved developing a high-level plan for Release 2.1 of Westpac's centralised complaints management system.

Westpac developed a high-level scope and plan for Release 2.1 of its centralised complaints management system, which was endorsed by the Complaints Transformation Steering Committee. Following Release 1, a post-implementation review survey and various feedback sessions were held with the project team to collect learnings and feedback to incorporate into the plan for Release 2, including amendments to the project scope.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the approach to develop the high-level release plan including stakeholder feedback received, and the rationale for de-scoping some business areas from the roll-out.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to develop the high-level plan for Release 2.1 and has considered learnings from Release 1, including in relation to the scope and funding requirements.

We note that our assessments of future Activities in this Workstream will consider amendments made to the scope in light of organisational changes such as divestments, and the integration of data from various existing systems to ensure that systemic issues are identified and its approach to complaints management is effective.

6.15. Workstream 15 – Technology Risk Governance

6.15.1. Assessment of Deliverable 15.2

Deliverable 15.2 requires Westpac to define and document a framework to consistently assess and measure technology service risk and support technology system owners and service management partners to understand the technology service risk of systems.

Activity 15.2.1

Design Activity 15.2.1 involved developing a methodology to consistently assess and measure technology service risk, including risks associated with technology obsolescence.

Westpac developed a Service Risk Assessment methodology to supersede the current approach in place to measure and assess technology service risk. The Service Risk Assessment methodology consists of a questionnaire-based assessment and subsequent scoring approach, aligned with the Group Operational Risk Framework, to determine the service risk associated with Westpac applications. The development of the Service Risk Assessment methodology was supported by:

- insights derived from both external and internal subject matter experts;
- analysis of a range of inputs including industry frameworks and existing Westpac risk management practices;
- Line 2 review and challenge;
- endorsement by relevant management governance forums;
- consultation with relevant stakeholders, including Divisional Chief Information Officers, through feedback sessions; and
- testing of the methodology with stakeholders through a staged pilot process.

Westpac documented its Service Risk Assessment approach within a formal Service Risk Assessment Standard, including information on the activities, roles and responsibilities related to completing Service Risk Assessments. This was supported by guidance material, including a suite of process aids.

After reviewing the Closure Pack for this Activity, Promontory requested and received further information and interviewed relevant stakeholders on aspects of the Activity including the improvements delivered by the methodology to the current state, the scope and application of the methodology, roles and responsibilities, and next steps, including planned system integration.

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Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded that Westpac had developed a methodology to better support the measurement and assessment of technology service risk and the risk associated with technology obsolescence. Further, we concluded that the methodology was supported by appropriate guidance material and stakeholder engagement.

We note that our assessments of future Activities in this Workstream will consider the broader rollout of the methodology, the outcomes of 'test and learn' activities and subsequent enhancements made to the methodology and guidance, uplifts to relevant reporting, and mechanisms implemented to ensure the methodology remains fit-for-purpose on an ongoing basis.



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