



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

Prepared by Promontory Australia, a business unit of IBM Consulting

## Sixth Report

28 July 2022

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

28 July 2022

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

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

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

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## Abbreviations & Definitions

Abbreviation	Definition
3LoD	Three Lines of Defence
Activity	Each Deliverable in the Integrated Plan is comprised of a number of Activities, classified as either a 'Design', 'Implement' or 'Embed' Activity
APRA	The Australian Prudential Regulation Authority
BAU	Business As Usual
BLRCC	Board Legal, Regulatory and Compliance Committee
BRiskC	Board Risk Committee
CEO	Chief Executive Officer
Closure Criteria	The actions that should be taken to complete the Activity
Closure Pack	A package of documents collated by Westpac and submitted to Promontory, which sets out the tasks completed and materials evidencing completion of an Activity
CORE Program or the Program	Westpac's Customer Outcomes and Risk Excellence Program
CORE Team	A centralised team of the CORE Program responsible for managing various aspects of the CORE Program, including information flows across the various governance forums, Workstreams, Divisions and with Promontory
CTO	Chief Transformation Officer
DCRO	Divisional Chief Risk Officer
DDGF	Divisional Delivery Governance Forum
Deficiencies	Westpac's risk governance shortcomings as set out in the Deficiencies Register
Deliverable	Each Workstream comprises a group of Deliverables
Deliverable Target State or Target State	Describes the outcomes to be achieved by completing a Deliverable
Divisions	The business units within the Westpac Group
EU	Enforceable Undertaking
FCC&C	Financial Crime, Compliance and Conduct

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Abbreviation	Definition
Fifth Report	Promontory's fifth report on the Independent Review of Westpac's Integrated Plan, dated 3 May 2022
First Report	Promontory's first report on the Independent Review of Westpac's Integrated Plan, dated 5 March 2021
Fourth Report	Promontory's fourth report on the Independent Review of Westpac's Integrated Plan, dated 8 February 2022
GE	Group Executive
GM	General Manager
Integrated Plan or the Plan	The plan Westpac has established to address APRA's concerns and to uplift Westpac's risk governance
Interdependency	A linkage across Activities in different Workstreams within the Integrated Plan
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
LoB	Line of Business
Outcome Measures	Outcome Measures are defined at the level of the Program and are used to assess progress towards achievement of the overall objectives of the Program
Package	Westpac's delivery mechanism that groups Activities in the Integrated Plan over a coming 90-day period to create a consolidated view of Divisional change requirements over that period
Program Deliverable Metrics	A set of Deliverable-level metrics in the Integrated Plan used to consider progress against the Target State for CORE Program Deliverables, across the period of the Integrated Plan.
Promontory	Promontory Australia, a business unit of IBM Consulting
RAG	Red, Amber or Green rating
RAS	Risk Appetite Statement
RCA	Risk and Control Assessment

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<b>Abbreviation</b>	<b>Definition</b>
RMF	Risk Management Framework
Reporting Date	30 June 2022
Reporting Period	This Report covers the period 1 April 2022 to 30 June 2022
Second Report	Promontory's second report on the Independent Review of Westpac's Integrated Plan, dated 28 July 2021
Six-Monthly Review	Semi-annual review of the impact, effectiveness and sustainability of the CORE Program by Westpac
Sixth Report, or this Report	Promontory's sixth report on the Independent Review of Westpac's Integrated Plan, dated 28 July 2022
SoAs	Statements of Accountability
SteerCo	The Westpac executive-level Steering Committee for the CORE Program
Third Report	Promontory's third report on the Independent Review of Westpac's CORE Program, dated 29 October 2021
Westpac or the Bank	Westpac Banking Corporation
WGMGF	Workstream General Manager Governance Forum
Workstream	An area of work in in the CORE Program
Workstream Objective	A description of the objective Westpac is aiming to achieve through the work being done in that Workstream set out in the Integrated Plan



## Executive Summary

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

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

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

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

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

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

### Program Progress and Status

The remediation plan is made up of 344 separate design, implement or embed activities.

Westpac maintained its momentum on program delivery, and the reporting period saw considerable effort across the CORE program, with a strong focus from the Executive leadership group. The program remained on track, with closure packs delivered to Promontory within the committed timeframes.

As at the reporting date, work on the design phase of the program was very close to finalisation, with 117 of 118 design activities submitted to Promontory, and 107 now assessed as complete and effective. Approximately two thirds of implement activities have been submitted to Promontory for assessment, and work had commenced on a number of embed activities.

In the June SteerCo reporting, risks associated with scope, schedule and outcomes reported by workstreams and divisions were raised. Delivery risks associated with the need for workstreams and divisions to address concerns relating to progress on implementation and embedment were also raised. Actions to address these risks are being actively considered and developed by relevant workstreams and divisions.

The CORE program is now at an important pivot point. If existing and emerging risks to the successful execution of the program are appropriately managed, the remainder of the calendar year should see implementation activities largely completed and a significant number of embed activities delivered to us for assessment. As a result, the next phase of the program is expected to lead to observable changes that contribute to the remediation of the root causes of Westpac's shortcomings and deliver uplift in risk governance.

### **Program Developments**

This reporting period saw a continued shift in focus towards driving sustainable, consistent, and effective divisional implementation across the organisation. This shift was reflected in governance forum discussions, executive oversight, and communication initiatives across the organisation which all placed greater emphasis on these themes during the reporting period.

We expect the focus on sustainable and consistent divisional implementation to continue to intensify as program activities are integrated into Westpac's regular operating rhythm. As part of this integration, Westpac has begun to implement changes to the program's governance structure, Line 2 (**Line 2**) oversight, the focus placed on funding, and communication initiatives. These revisions seek to drive consistency and coordination between divisions to ensure quality implementation across the organisation.

As discussed in the fifth report, in February 2022 Westpac announced major changes to its organisational structure and leadership team. The changes are intended to embed the line of business model and clarify accountabilities. In our last report, Promontory highlighted potential risks arising from the restructure, but our observation is that Westpac effectively managed these risks during the reporting period. In particular, Promontory has observed a well-managed transition of program sponsorship to the new Chief Transformation Officer, with the leadership change causing minimal disruption to the program.

The second formal six-monthly review of the program occurred during the reporting period. This review provided Westpac with an important opportunity to reflect on whether it is effectively executing the plan and to identify key actions or changes to be addressed. Outcomes from the review are expected to include amendments to the program governance structure and the finalisation of program outcome measure thresholds.

During the reporting period, Promontory issued its first 'incomplete' assessment. We assess an activity as incomplete where there is a material issue with meeting an activity's description, closure criteria, or deliverable target state at the time an assessment is undertaken. Westpac is taking actions to address our concerns, and Promontory will reassess the relevant activity in this light.

### **Focus Areas**

Westpac continues to make progress in addressing the root causes of its governance, culture, and accountability shortcomings. Key to this progress is a focus on the outcomes, which have received ongoing attention in this period. In order to realise these outcomes, it is vital that

those involved in the program maintain a keen focus on Westpac's ultimate destination of improved risk governance and not just the process of implementation. This will require ongoing consideration of how the program is addressing the root causes of Westpac's shortcomings.

Consistency is a crucial component to delivering successful and sustained uplift in risk governance. We have observed some challenges associated with consistent implementation across divisions. Although some differences in the approach to implementation are unavoidable, a focus on coordinating consistent implementation, including a common approach to learnings from delivery across divisions, will help prevent material inconsistencies from emerging.

The importance of balancing quality and timeliness must remain a focus as Westpac faces inevitable execution challenges that create risks to scheduling. While maintaining a sense of urgency remains important, quality of outcomes should take priority in order to achieve effective execution and sustainable change. Westpac could consider opportunities to further sharpen the focus on quality of execution, as it moves further into implementation and embed phases. This could include greater engagement with middle and lower-level staff in the first line.

The risk of change fatigue will also require additional attention over the coming six months as Westpac continues to deliver a significant change agenda throughout the organisation. This has been the subject of considerable discussion in governance forums. The risk of change fatigue will need ongoing monitoring in the period ahead, with a focus on communications to help manage this risk.

Cultural and behavioural changes are a key element of the outcomes that the CORE program aims to deliver. These changes are required across the bank. In particular, engaging middle management remains critical to the sustained success of Westpac's risk governance uplift, and is particularly important in the current phase of the program as activities are increasingly executed within divisions. During the reporting period, Westpac has increased focus on communication and engagement with middle management, and has taken steps to better understand their needs to ensure the right support is provided.

As the program moves further into the implement phase, it is likely that Westpac will be required to make improvements to the processes and frameworks that are being put in place. These improvements are particularly important where it becomes evident that elements of a design activity need to be refined during implementation. In doing so, continuous improvement should focus on outcomes, and be balanced against the need to maintain momentum and promote simplicity where possible.

## 1. Introduction

### 1.1. Background

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

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

### 1.2. The Integrated Plan

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

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

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

**Table 1.1: Themes and Workstreams**

Theme	Workstream
Board Governance	WS1 - Board Risk Governance

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

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

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

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

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

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

### 1.3. The CORE Program

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

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

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

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

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

### 1.4. Promontory's Approach

Westpac appointed Promontory (**Promontory**) to provide external independent review over the execution of the Program.

Our role as independent reviewer includes:

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

#### 1.4.1. Assessing Effectiveness

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

For Design Activities, our assessments focus on whether:

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

For Implement Activities, our assessments focus on whether:

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

For Embed Activities, our assessments focus on whether:

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

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

- any outstanding queries identified by Promontory in assessing a preceding Activity have been addressed;
- all further information requirements from Promontory have been addressed;
- the Deficiencies mapped to the Deliverable have been either partially or fully addressed;
- the measures and mechanisms used to support the maintenance of the Target State have been operationalised; and



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

The Deliverables within the Plan have been designed to address the identified Deficiencies. Through the assessment process, Promontory will consider whether the outcomes achieved by the Deliverable practically address the identified Deficiencies. Given that there is not a one-to-one mapping between Deliverables and Deficiencies in all cases, our assessment of whether a specific Deficiency has been addressed may consider only that part of the Deficiency that is being addressed by the relevant Deliverable.

The CORE Program is not accountable for initiatives addressing Deficiencies outside the scope of the Plan. However, it monitors the progress of initiatives aimed at dealing with these Deficiencies due to the interrelationship with the Program.

#### 1.4.2. Reporting

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

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

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

### 1.5. Report Structure

The remainder of this Report is structured as follows:

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



## 2. Program Progress

The Integrated Plan is made up of 344 separate Design, Implement or Embed Activities. This is an increase from 343 Activities in the last Reporting Period, due to one Activity being added in Deliverable 10.3. These Activities are grouped into 82 Deliverables. As at the Reporting Date, Westpac had delivered Closure Packs (**Closure Pack**) for 217 Activities to Promontory, which is almost two-thirds of the Activities in the Plan.

The Program has completed most of the Design Activities. As at the Reporting Date, of 118 Design Activities:

- Westpac had completed work on 118 Activities.
- Westpac had submitted Closure Packs for 117 Activities to Promontory.
- Promontory had assessed a total of 107 Activities as complete and effective.
- We had not yet completed our assessment of 10 Activities.

The Program continued its work on Implement Activities during the Reporting Period. As at the Reporting Date, of 137 Implement Activities:

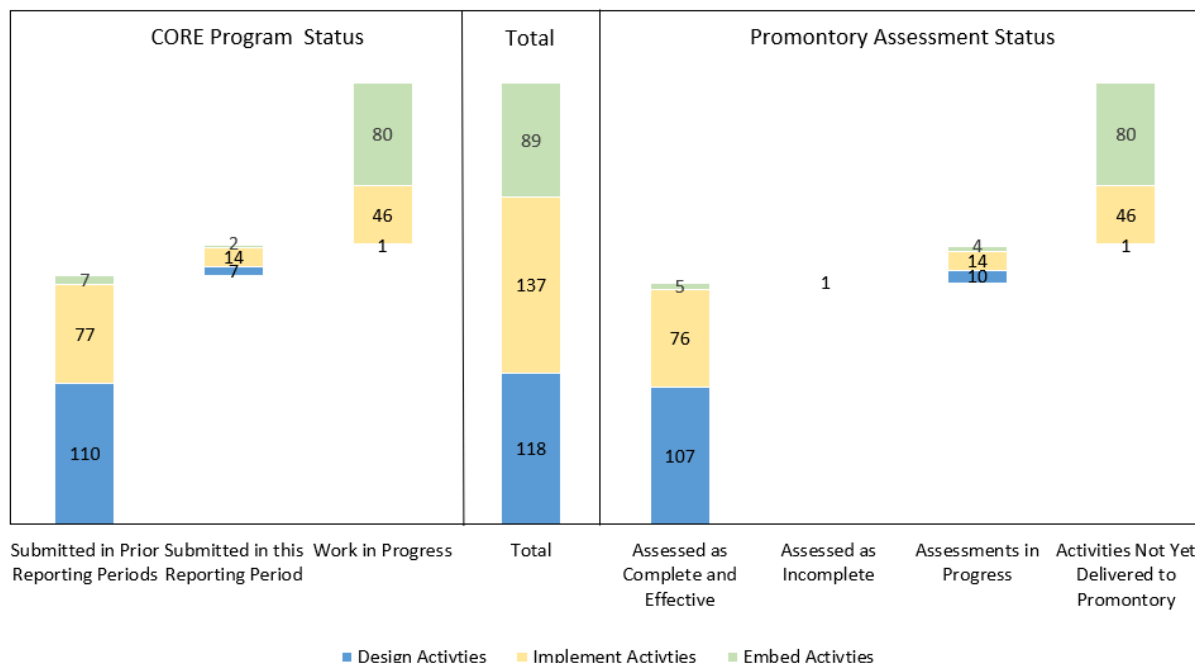
- Westpac had completed work on 105 Activities.
- Westpac had submitted Closure Packs for 91 Activities to Promontory.
- Promontory had assessed one Activity as incomplete.
- Promontory had assessed a total of 76 Activities as complete and effective.
- We had not yet completed our assessment of 14 Activities.

The Program further progressed its work on Embed Activities during the Reporting Period. As at the Reporting Date, of 89 Embed Activities:

- Westpac had completed work on 18 Activities.
- Westpac had submitted Closure Packs for nine Activities to Promontory.
- Promontory had assessed a total of five Activities as complete and effective.
- We had not yet completed our assessment of four Activities.

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

**Figure 2.1: Program progress**



Of the 189 Activities assessed by Promontory, assessments of 32 Activities were completed during the Reporting Period. This consisted of 10 Design Activities, 21 Implement Activities and one Embed Activity. Further information on the assessment of these Activities is provided in Chapter 5.

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

**Table 2.2 Program Progress by Workstream**

WS	Activities with Westpac			Activities submitted to Promontory			Total
	Work not commenced	Work in Progress	Completed but not yet submitted to Promontory	Assessment underway	Assessed as complete and effective	Assessed as incomplete	
1	6	4	3	1	16	0	30
2	1	1	4	0	9	0	15
3	2	4	0	2	16	0	24
4	0	4	0	1	16	0	21
5	0	0	3	0	14	0	17
6	4	10	2	5	15	0	36

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WS	Activities with Westpac			Activities submitted to Promontory			Total
	Work not commenced	Work in Progress	Completed but not yet submitted to Promontory	Assessment underway	Assessed as complete and effective	Assessed as incomplete	
7	3	6	1	3	17	1	31
8	3	5	2	3	19	0	32
9	4	3	0	0	4	0	11
10	7	7	4	3	20	0	41
11	1	1	0	2	0	0	4
12	1	3	1	2	5	0	12
13	1	4	0	2	8	0	15
14	0	0	1	1	16	0	18
15	3	3	2	1	5	0	14
16	1	3	1	0	6	0	11
17	0	2	0	0	1	0	3
18	1	1	0	0	1	0	3
19	2	2	0	2	0	0	6
<b>Total</b>	40	63	24	28	188	1	344

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

In addition, the status of three Workstreams, WS7, WS9 and WS11, were reported as Red in the June SteerCo. The status of WS7 resulted from several drivers including schedule delays, resource challenges and implementation considerations, and is further discussed in section 5.4.1. The status of WS9 was driven by cost challenges and resourcing constraints and is further discussed in section 5.5.2. The status of WS11 was driven by scope revisions and is further discussed in section 5.5.4. Westpac is working to progress plans to move the status of these Workstreams out of Red.

## 3. Program Developments

### 3.1. Board Oversight

#### 3.1.1. Board Committees

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

Promontory attended one full BRiskC and one BLRCC meeting. These meetings involved discussions of various risk issues. This included significant consideration of progress and risks associated with the CORE Program, and there were several agenda items directly related to the Program. These were:

- updates on the Program which covered the delivery status of Activities, key risks and focus areas, and the Six-Monthly Review (**Six-Monthly Review**);
- progress as described by the Outcome Measures (**Outcome Measures**), which are discussed further in section 3.7.5;
- a discussion on Promontory's Fifth Report (**Fifth Report**); and
- deep dives related to the following Workstreams:
  - Committee Reporting and Risk Training (WS6); and
  - Credit Risk Governance (WS17).

Promontory also attended a Board meeting to observe the updates from the BRiskC and BLRCC, which included reporting on the CORE Program and Promontory's Fifth Report.

Promontory will continue to observe relevant Board Committee discussions on progress of the Program during the next Reporting Period, including at the BLRCC and BRiskC and will attend meetings with the Chairs of various Board Committees.

#### 3.1.2. Director Touchpoints

During the Reporting Period, Westpac conducted seven Director Touchpoints, as outlined in Table 3.1 below. All Director Touchpoints were observed by Promontory. Each Director Touchpoint was attended by two Directors, and provided an opportunity for them to obtain deeper insights into a particular area.

**Table 3.1 Director Touchpoint sessions observed by Promontory**

Director Touchpoints	Date
WS15 Tech and Data Management	6 April 2022, Wednesday
WS19 Liquidity	7 April 2022, Thursday
WS7 Transformation Capability and Delivery	7 April 2022, Thursday
WS17 Credit	11 April 2022, Monday
Westpac Institutional Banking	19 April 2022, Tuesday
Specialist Businesses Division	27 April 2022, Tuesday
Consumer and Business Banking	27 April 2022, Tuesday

As discussed in the Fifth Report, the approach of the Director Touchpoint has been revised to provide Directors greater insight into the changes being implemented in each Line of Business (**LoB**) and across Divisions. While Director Touchpoints continue to monitor progress at a Workstream level, there has been an increased focus on Divisional activity, with Divisional Director Touchpoints carried out for the first time this Reporting Period. Divisional Director Touchpoints saw greater discussion around the clarity of outcomes being delivered and measures of Program success. Activity progress was also discussed at the Divisional level.

Promontory will continue to monitor the actions being taken to address challenges raised by the Directors and the insights shared during these Touchpoints. These interactions provide an important opportunity for Westpac to promote two-way communication between Directors and management, and to focus attention on the most difficult implementation and embedment challenges.

## 3.2. Program Governance Arrangements

### 3.2.1. Governance Forums

Promontory continued to observe the main governance forums, including the SteerCo, the CORE Governance Forum, the Detailed Design Forum (**DDF**), the Workstream General Manager Governance Forum (**WGMGF**) and the Divisional Delivery Governance Forum (**DDGF**).

The key themes discussed across these forums included Workstream and Divisional status and risk, sustainability, and Program Outcome Measures, among other matters. The forums had a clear focus on Divisional implementation, as appropriate in the current phase of the CORE Program.

During the Reporting Period, an important area of discussion during the various governance forums has been the ongoing appropriateness of the current governance structure supporting the CORE Program, and whether amendments are needed to ensure it remains fit for purpose as the Program progresses. This includes consideration of whether governance arrangements provide appropriate ongoing oversight of the quality of implementation. Promontory has

observed that Westpac has placed greater attention on ensuring sessions are focused on essential matters and targeted at the appropriate audience.

### 3.2.2. Status Reporting

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

This Reporting Period, Promontory observed improvements to the aggregation and view of health reporting shared at various governance forums including the DDGF and WGMGF. Divisional schedule health ratings are now mapped against the Workstreams to establish a clearer interrelationship and clarify how they interact. Given that the Design phase of the CORE Program is nearly complete, it is essential that there continues to be clarity on the interaction between Divisional and Workstream status, and that reporting focuses on monitoring how Workstream activities are carried through into Divisional implementation.

Promontory has observed constructive and thorough discussions on the Workstream and Divisional Red, Amber or Green (**RAG**) status in governance forums. We observed that reporting on Program RAG status receives appropriate attention especially where it concerns a Red or an Amber status. It is important for Westpac to continue to ensure that the Program RAG status remains accurate and transparent so that risks and issues are identified and discussed in a timely manner.

Promontory will monitor how Westpac continues to adapt its process on status reporting to ensure sufficient discussion of implementation issues at a workstream level, and appropriate coordination and information sharing between relevant forums and Divisions.

Further progress has also been made on the reporting of the Outcome Measures and this is discussed in detail in section 3.7.5.

## 3.3. Risk and Group Audit Reviews

### 3.3.1. Risk Review

During the Reporting Period, Line 2 has continued to sharpen its focus on monitoring Program execution and the transition to BAU. This has seen Line 2 increase its attention on Divisional activities and outcomes, reflecting that risks across the Program are becoming increasingly driven by the actions of the Divisions as the Program progresses.

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

- Identifying inconsistencies in RAG status reporting across Divisions and Workstreams and providing challenge at the Divisional level where appropriate.

- Engaging with the Central CORE Team, Workstreams, and Divisional Teams to review and challenge the process and preparedness for Package (**Package**) 8. This included the review and challenge of individual Activity summaries, providing feedback into peer review sessions, and early engagement on Package 9.
- Continuing to enhance Divisional Chief Risk Officer (**dCRO**) engagement and progressing work to clarify the role of dCROs. As part of this, a deep dive was held within Westpac with the Central CORE Team and dCROs on the Six-Monthly Review.

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

- Ensuring consistent and aligned reporting on Workstream and Divisional Progress, to enable ongoing oversight of any issues or areas at risk, particularly in relation to Divisional implementation.
- Monitoring adherence to delivered risk requirements including the completion of Risk and Compliance Matrices. Progress has been made over the Reporting Period, as Workstreams have established and progressed their delivered risk assessments. The focus will now be on maintaining oversight of the management of delivered risk and establishing key controls within Divisions where applicable.
- Maintaining clarity and visibility of the Risk Class Owner and dCRO roles and responsibilities, as Activities are implemented into Divisions and Functions.

In recognition of the current phase of the Program, Line 2 has indicated that it intends to pivot its focus towards overseeing the integration of Activities into Westpac's regular operating rhythm moving forward. This will involve continuing to intensify oversight on Divisional embedment activities and strengthen dCRO engagement to ensure that desired outcomes are being achieved and delivered sustainably at the Divisional level. At a Workstream level, Line 2 intends to focus its attention on Workstreams where risk input is more important or is a primary objective.

Promontory will continue to engage with Line 2 to ensure that an appropriate level of coverage over Workstream activities remains. This will be particularly important to ensure consistency in Divisional implementation, and the ongoing timely identification and rectification of any critical delivery issues within Workstreams.

### **3.3.2. Group Audit Review**

During the Reporting Period, Group Audit presented its Group Audit Quarterly Report to the Board Audit Committee, the BRiskC and the BLRCC. The report provides Group Audit's opinion on governance, risk management and control, and the results of audit activity relevant to the Committees over the quarter.

The report highlighted the importance of the Activities planned to uplift risk management practices as part of the CORE Program over the next two years, as well as the need for Line 1 (**Line 1**) and Line 2 to enhance their oversight and quality of execution. Action plans will be developed and implemented by Line 2, and management will assess the potential impact of issues raised in these audits on CORE Deliverables.

Promontory continued to meet with Group Audit monthly over the Reporting Period to discuss Group Audit reviews relevant to the Program and to exchange observations on Program governance. Group Audit delivered 15 reports during the Reporting Period that were relevant to the CORE Program, covering a range of areas across nine Workstreams.

Currently, Group Audit is determining scope areas as part of its next biannual CORE Program Oversight Review which will occur in Q4 FY22.<sup>2</sup> This review provides Group Audit's observations on the design and operating effectiveness of the delivery processes and controls in the Program. As noted in our Fifth Report, the last review occurred in Q2 FY22 and concluded that there were adequate oversight processes in place, and rated management control as 'effective'.

Promontory will continue to monitor how Westpac responds to, addresses, and implements Group Audit findings, with a particular focus on how Workstreams are coordinating the response to findings that cover several aspects of the CORE Program, such as findings that apply across multiple Workstreams.

## **3.4. Funding and Resourcing**

### **3.4.1. Funding**

During the Reporting Period, reporting on the financials of the Program continued to be provided at the various governance forum meetings. Westpac remains aware of the risk that inadequate funding may pose to resourcing and delivery of the CORE Program. This risk continues to be monitored at a Workstream level, and issues or risks reported at appropriate governance forums and through RAID registers.

As Westpac enters the later phases of the CORE Program, discussions are beginning to expand beyond a focus on the funding needed to deliver the Program, to also consider the ongoing BAU funding required to ensure the sustainability of the uplift. This was discussed as part of CEO CORE Deep Dives during the Six-Monthly Review. As the Program moves towards execution, there is increasing discussion on which costs should be considered as part of regular operating expenses, rather than project expenses. There is now a greater push to ensure that Divisions are appropriately considering the need for ongoing funding to ensure sustainability of improvements beyond the life of the Program. Westpac is currently planning funding for FY23 and expects to see a reduction in Project funding as the Program transitions

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<sup>2</sup> Westpac's financial year runs from October to September.



to a regular operating basis. As the Program moves further into the Embed phase, Westpac expects most costs to be incurred as regular operating expenses with additional funding provided, as needed, to support particular Workstreams.

### **3.4.2. Resourcing**

Resourcing was a focus during the Reporting Period. The overall Program health status for resourcing was reported as Green in the April SteerCo. This has improved from an Amber rating during the last Reporting Period as resourcing gaps continue to be filled, however challenges across certain Divisions and Workstreams remain. Six Workstreams (WS 3, 7, 9, 10, 17 and 18) reported an Amber RAG status for resourcing to the June 2022 SteerCo. Resourcing challenges have largely been driven by:

- resourcing and capacity constraints to support the execution of certain Deliverables (WS 3, 7, 10);
- key person risk and a lack of subject matter expert resource availability (WS 7 and 9 respectively); and
- dependency on other business areas with limited capacity to support execution within the required timeframe (WS 17 and 18).

Overall, the general market for risk specialists remains tight.

At a Divisional level, Westpac reported an Amber RAG status for resourcing in the Legal and Treasury Divisions to the June 2022 SteerCo. These challenges were driven by the resignation of the Legal Division's CORE Project Manager, and uncertainty in the scope of value chains for the Treasury Division, respectively. Recruitment is currently underway for a CORE Project Manager, which is expected to address concerns in the Legal Division.

The outlook for the Program's Schedule is trending downwards reflecting the need for greater engagement between Workstreams and Divisions to address concerns relating to Implementation and Embedment Activities. This has led to flow-on impacts to planning and resourcing for some Workstreams and Divisions, particularly where scope is unclear, or schedules have been changed. These challenges are frequently encountered in major transformation projects like CORE. The risk of scope and scheduling to resourcing has been recognised and continues to be monitored through RAID registers and governance forums so that any resourcing issues can be addressed in a timely and proactive manner.

## **3.5. Communications**

Communications continued to be a significant area of focus, with the aim of supporting the risk culture and behavioural change aspects of the CORE Program during the Reporting Period. Over this Reporting Period, there was a focus on using communications as a tool to embed and support sustainable change.

Communications continue to be centred around five strategic interventions described by Westpac as follows:

- inspire our people;
- lift leadership capability;
- cascade tone from above;
- elevate customer voice; and
- track behaviour change.

During the Reporting Period, communications were particularly targeted at the ‘winning the hearts and minds’ pillar within ‘inspire our people’. This initiative sought to reinforce CORE as a key strategic priority, as well as highlight the importance of staying the course and sustainable change. Work to ‘cascade tone from above’ also increased during the Reporting Period to maintain consistency and leadership throughout the current period of organisational change (see section 3.7.3 below).

Westpac continues to observe a high level of engagement with CEO communications that feature CORE Program messages, and positive responses to qualitative research into communications effectiveness. Feedback has indicated that while key messages are landing effectively for middle management, there remains the opportunity to simplify messages and channels. Moving forward, communications are expected to focus more intensely on the middle management segment of the organisation, recognising the role they play in modelling and influencing risk behaviour. Research is currently underway to help inform and shape the effective delivery of communication for this cohort over the next phase of the Program, given their criticality in driving implementation and embedment.

## **3.6. Change Management**

### **3.6.1. Packages**

Westpac continues to use the Package mechanism to implement and embed the Plan within the Divisions, and to supplement Program-level communications. Package 8, which was launched during the Reporting Period, has the message anchor of ‘strengthening risk capability through consistent operating rhythms and practice’. A summary of message anchors to date is provided in Table 3.2.

**Table 3.2 Package Message Anchors**

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

<b>Package number</b>	<b>Message anchor</b>
3	Sharpening our issues management capability.
4	Continuing to master the fundamentals of proactive, hands-on risk management.
5	Strengthening risk disciplines with a focus on obligations, issues and incidents.
6	Lifting our risk disciplines through improved risk management, infrastructure and reporting.
7	Managing the business well – lifting and strengthening risk disciplines.
8	Strengthening risk capability through consistent operating rhythms and practice.

These message anchors help to maintain focus on the overall aim of the Program to make a substantial uplift in Westpac’s risk management and governance.

Package 8, which consists of 14 new and 41 in-flight Activities, is intended to drive outcomes through:

- strengthening risk capability, embedding consistent operating rhythms and practices in how Westpac works and stays the course; and
- maintaining a focus on sustainable and consistent implementation and embedment into the business to drive good risk and good customer outcomes.

The Package process continues to support the delivery of the Program by maintaining a regular quarterly cadence of bringing relevant stakeholders together to clearly set out expectations for the implementation of Activities and Deliverables for the upcoming period. The launch provides an opportunity for Workstream Leads to outline the details of what is being delivered, what the Program is seeking to achieve at an organisational level, and how work underway aligns with desired Program outcomes.

During this Reporting Period, Promontory observed the Package 8 launch which further emphasised the shift towards Divisional implementation, with 27 Implement Activities and 28 Embed Activities this quarter. This has driven a sharpened focus on the importance of sustainable change and staying the course to create good risk habits, which was reinforced as a consistent theme during the launch.

### **3.6.2. Change Control Mechanism**

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

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

During the Reporting Period:

- 22 new change requests were logged in the change control register. These change requests included amendments to Program Deliverable Metrics and Outcome Measures, revision of Workstream descriptions and Activity due dates, reassignment of accountable GE Sponsors, and the creation of new Activities. Of these 22 change requests, 11 have been assessed as having a 'major' impact.
- 13 change requests were closed as approved, with the approved changes impacting 6 Workstreams.
- Four major change requests remain open. These include changes to the description for WS11, and a new Activity as part of WS7.

Over the last year, there has been a gradual reduction in the number of change requests being logged and closed, and this trend has continued during this Reporting Period as shown in Table 3.3 below.

**Table 3.3: Change requests July 21-June 22**

Reporting Period	Change requests opened	Change requests closed as approved	Major/Material requests remaining open
Jul 21 – Sept 21	39	11	13
Oct 21 – Dec 21	38	44	7
Jan 22 – Mar 22	18	16	2
Apr 22 – Jun 22	22	13	4

A reduction in the volume of change is expected in the current phase of the Program, as focus turns to execution and delivering on the Plan. This phase of the Program has also led to a shift in the types of changes being recorded, with an increase in the number of change requests relating to Outcome Measures and Program Deliverable Metrics and fewer changes to Activity and Deliverable descriptions.

Despite the reduction in the volume of change requests, the Change Control Mechanism continues to be viewed within Westpac as an important tool to facilitate change as the Program continues to evolve. Key changes continue to be discussed and approved at SteerCo meetings and other relevant governance forums.

## **3.7. Other Program Developments**

### **3.7.1. Incomplete Assessments**

During the Reporting Period, Promontory issued its first 'incomplete' assessment. The assessment related to an Implement Activity under WS7 which is designed to uplift transformation capability and delivery across Westpac (see section 5.4.1). Westpac is working to resolve the issues identified to ensure completion of the Activity.

Promontory assesses an Activity as incomplete where we have found that there is a material issue with meeting an Activity's description, its Closure Criteria or the Deliverable Target State at the time the assessment is undertaken.

Concerns held by Promontory when conducting an assessment around the ability to fully comply and satisfy the requirements of an Activity are raised with Westpac as early as possible throughout the assessment process. This is to ensure that Westpac has an opportunity to respond to the issues raised and identify measures that can be implemented to address any material issues as soon as practicable. However, it is recognised that an early indication of issues will not necessarily avoid an Activity as being assessed as incomplete, nor will the early identification of issues always be possible.

In circumstances where Promontory assesses an Activity as incomplete, and Westpac subsequently takes remedial steps, Promontory will reassess the relevant Activity.

### **3.7.2. Six-Monthly Review**

As committed to APRA and Promontory, Westpac undertakes a formal review of the CORE Program every six months. The review provides an opportunity for Westpac to reflect on whether it is effectively executing the Integrated Plan and achieving the required risk governance uplift needed in ways that are sustainable and evidenced by demonstrable outcomes. Key inputs into the process include feedback and observations from both internal and external stakeholders.

The second formal Six-Monthly Review of the CORE Program has been undertaken, and it involved a significant set of activities. The review included in a workshop held on 2 June 2022. The workshop was attended by Westpac's CEO and GEs, GMs, Managing Directors, dCROs, Divisional CTOs, Group Audit representatives, Divisional Chief Finance Officers, Promontory and APRA. Objectives for the Six-Monthly Review process included:

- Celebrate CORE achievements to date across the Group.
- Listen to perspectives of the Board, APRA, Promontory and management.
- Reflect on challenges and feedback captured through the six-month cycle.

- Agree and align on any required priority actions.
- Bring about substantive and sustainable improvements in Westpac's culture, business operations and risk management practices through the CORE Program.

Activities undertaken as part of the process leading to the June workshop included:

- CEO CORE Deep Dive sessions with the majority of CORE Workstreams chaired by the CEO, with selected Divisional GEs and GMs in attendance. The purpose of the session was to challenge Workstream GEs and GMs on progress, major milestones, delivery against objectives and target states, and quarterly financial forecasts.
- Consideration of issues identified through the Material Matters process.
- A review of the CORE governance structure to identify whether it remains fit for purpose and any opportunities for simplification and improvement.
- Feedback sessions with GMs, GMs Business Controls & Monitoring, Divisional CROs to understand areas of success and where challenges and future priorities lie.
- A series of Outcome Measures workshops to agree the remaining FY22 and FY23 objectives.

Westpac also considered the Material Matters process and its utility as an input into the Six-Monthly Review. This involved consideration of relevant risk governance matters, and the root causes identified under the Program, to determine whether additional root causes should be addressed or the scope of the Plan should be amended. The Material Matters process did not identify the need to make significant changes to the Plan itself or lead to any additional root causes.

Westpac is in the process of consolidating the outcomes from the Six-Monthly Review which will include a series of actions to be addressed. Once finalised, these will be tabled during the next reporting period at a SteerCo for discussion. This is expected to include amendments to the CORE governance structure, finalisation of thresholds and data sources for Program Outcome Measures.

The Six-Monthly Review process seeks to enable insights, feedback, and data from multiple forums and sources to be considered systematically to identify key actions or changes to be addressed at a Program level. An important output from this process will be to determine actions that can be implemented in a consistent, effective, and sustainable way. Promontory will engage closely with Westpac to monitor how this will be managed.

### **3.7.3. Organisational Restructure and Program Leadership**

As discussed in the Fifth Report, on 3 February 2022, Westpac announced a major restructure involving changes to its organisational structure and leadership team. The changes are

intended to embed the LoB model and clarify accountabilities. One of the significant changes with implications for the CORE Program was the appointment of a new CTO tasked with taking over Program sponsorship.

As Promontory noted in its Fifth Report, the changes made to organisational structure are consistent with the objectives of the Program, such as strengthening accountabilities. However, there are always risks associated with such changes, including potential disruptions to momentum, quality, and execution, as well as the flow through impact to delivery of the Program. Westpac has given considerable attention to these risks during the Reporting Period, and they were among the critical focus areas being closely monitored by Westpac as part of the overall Program health. While the organisational restructure is not the main factor contributing to the Program's Amber status, it remains an area of attention requiring continued management and oversight.

The CTO commenced in April 2022 with accountability for the sponsorship of the CORE Program transitioning from the former Program sponsor, GE Financial Crime, Compliance, Conduct (**FCC&C**), in late April 2022. The GE FCC&C, and now Enterprise Executive Advisor, will remain with Westpac until the end of September 2022 to ensure the continued transfer of institutional knowledge during this time.

Overall, Westpac has effectively managed the risks associated with the restructure during the Reporting Period. In particular, Promontory has observed a well-managed transition of accountability to the new CTO, with the leadership change causing minimal disruption to the Program. The CTO has been well supported by the most senior levels of Westpac and has demonstrated strong advocacy for the Program, consistently reinforcing the importance of CORE in their communications.

The impacts arising from the Group-wide organisational changes will require continued monitoring by Westpac. Promontory will continue to monitor the effectiveness of the approach and framework developed by Westpac to cater for organisational change, as this may provide an indication of the sustainability of the approach in place and its adaptability to respond to any future changes.

#### **3.7.4. Sustainability**

As discussed in the Fifth Report, sustainability is a critical component of Westpac's Integrated Plan and it continued to receive attention during the Reporting Period. Westpac's Sustainability Principles consist of:

- adequate frameworks and processes;
- clear accountabilities;
- effective governance;
- sufficient resources and capabilities; and



- sound risk culture, remuneration and consequences.

As Westpac enters the second half of the CORE Program and progresses to implementing and embedding changes, there has been increasing attention on the concept of ensuring that the changes become integrated into the way of working, beyond the life of the CORE Program.

Promontory continues to work closely with Westpac on its approach as to how sustainability will be documented, executed and evidenced. Promontory has emphasised the need for clear expectations and evidence at the Embed and Deliverable phases to demonstrate how particular Activities, frameworks, policies, or processes support the sustainability of each Deliverable. Promontory and Westpac will continue to engage closely on this critical element of the Program and how the Sustainability Principles are being operationalised to support the Target States of the Deliverables and Workstreams.

### **3.7.5. Outcome Measures**

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

- 183 Program Deliverable Metrics, which measure performance against the Target State for individual Deliverables within the Integrated Plan.
- 51 Outcome Measures, which are BAU measures that will continue beyond the completion of the Program.

During discussions at governance forums over this Reporting Period, Westpac observed that the reporting of Program Deliverable Metrics has matured and is becoming increasingly streamlined. However, challenges have been observed in the process for reporting Outcome Measures due to the reliance on 'BAU' reporting and processing, some of which has been inconsistent across the organisation. This has led to challenges in developing consolidated reporting for Outcome Measures, and an opportunity for enhancing reporting processes, ideally by leveraging existing reporting tools where appropriate. Westpac is completing a Post Implementation Review on Outcome Measure reporting processes and has indicated that it will implement any identified improvements in the coming months.

#### **Deliverable Metrics**

During the Reporting Period, data for 134 of the 183 Deliverable Metrics were reported to the SteerCo. This is an increase from the 100 reported in the previous quarter. Of these 134 metrics, 113 were considered Green, nine were rated Amber and 12 without rating due to insufficient historical data.<sup>3</sup>

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<sup>3</sup> Westpac uses the following RAG status for the Program Deliverable Metrics:

- Green – Trended in a stable or favourable direction from the prior period and on track to meet the FY23 target, and/or at or above the FY23 target;



Westpac continues to focus on the operationalisation of Program Deliverable Metrics to ensure robust outcomes. Work during the Six-Monthly Review led to the finalisation of the majority of Program Deliverable Metrics, with a significant reduction in the number remaining outstanding expected by the next Reporting Period.

### **Outcome Measures**

As part of the Six-Monthly Review, a series of Outcome Measures workshops were held to agree the remaining FY22 and FY23 objectives. Following these sessions, Westpac is in the process of finalising thresholds and data sources for FY22 and FY23 Program Outcome Measures.

In addition, Promontory continues to monitor progress how Program Outcome Measures are contributing to Westpac's ongoing consideration of the CORE Program's effectiveness.

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- Amber – Trended in an unfavourable direction from prior period and below FY23 target, and/or below applicable threshold, and/or emerging concerns in meeting FY23 target; and
  - Red – Trended in an unfavourable direction from prior period and below FY23 target, and/or below applicable threshold, and/or emerging concerns in meeting FY23 target and escalation is in place.

## 4. Observations and Focus Areas

Westpac has reached a pivotal point in its Program to address the root causes of its governance, culture and accountability shortcomings. The Design phase of the Program has largely been completed, implementation is well underway across the Group, and the remainder of the year should see a significant number of Embed Activities delivered to Promontory for assessment. In other words, Westpac has maintained momentum on Program delivery.

In this light, if existing and emerging risks to the successful execution of the Program are appropriately managed, the next phase of the Program is expected to lead to observable changes that contribute to the remediation of the root causes of risk deficiencies. Westpac should see clearer indications of the uplift to risk governance that represent the overall objectives of the Program.

In order to realise this prospect, it is vital that those involved in the Program maintain a keen focus on Westpac's ultimate destination, as well as ensuring appropriate attention to proper processes for Program execution.

The Executive Sponsor, GEs, relevant governance forums, and the Central CORE Team, will play a critical role in ensuring that the focus of those involved in executing the Program is periodically returned to the intended outcomes of the Program. In doing so, these stakeholders will have to continue to strike the right balance between the need to attend to the day-to-day details of Program execution and ensuring that the overall objectives are kept front of mind, including the cultural changes that underpin the success of the Program.

There is significant work required to ensure that Program Deliverables are adequately embedded within the Divisions. Given the wide-ranging change agenda that is underway across the Group, Divisions will need to carefully consider prioritisation decisions in the coming period. While it is pleasing to see that there are no signs of a loss of momentum, the Program should continue to remain cognisant of the risk that, as has occurred at this phase of other programs within Westpac, momentum may slow as execution within the Divisions continues.

To ensure successful Divisional implementation, clear ownership and accountabilities through the practical implementation of the 3LoD model within the LoBs are key. While this has proved challenging in some areas, effective execution of the 3LoD model is essential to Westpac's success in sustainably addressing the key root causes of its risk governance Deficiencies.

To date, Westpac has been responsive to the focus areas raised in our previous Reports, and has addressed many of the related challenges. Nonetheless, issues such as change fatigue and sustainability require ongoing attention. Those involved in oversight and execution of the Program should strive to cultivate a sense of 'chronic unease' about the progress of the Program towards its intended outcomes. In this context, we discuss five focus areas below that remain ongoing areas of challenge.

## **4.1. Consistency**

As described in our Fifth Report, consistency in execution is crucial as the Program is implemented and embedded within the Divisions. In addition, consistency across Workstreams is also key to realising Westpac's objective of addressing the root causes. Westpac has given considerable attention to this issue, but it will require ongoing focus as Divisional implementation continues.

During the Reporting Period we observed several instances of differing approaches to executing the Program within the Divisions. For example, inconsistencies between the Divisions in the work being completed under WS10 have begun to emerge. There are also significant differences between Westpac's approach to WS19 and the other Workstreams dealing with financial risk.

While we recognise that some differences in the approach to implementation are inevitable across the Bank, Westpac must ensure that any variations in execution do not result in an uneven ability to realise the intended outcomes of the Program. This will require Westpac to act promptly to prevent any inconsistencies that may result in some parts of the institution failing to make sustainable changes.

As discussed in our Fifth Report, in order to promote consistency during the Implement and Embed phases of the Program, a more intense focus on coordination across the LoBs is needed. Consideration could be given to whether a new forum should be established, or an existing one repurposed, to discuss emerging issues in package delivery and share better practice across Divisions.

Both the Business Divisions, Risk, and the Central CORE Team have a key role to play in helping to mitigate and address inconsistency in implementation over the next six months.

## **4.2. Quality and Timeliness**

A common challenge in major programs at this phase of execution is managing the tension between quality and timeliness. Westpac will inevitably encounter issues during the execution of the Program within the Divisions that create risks for the timelines set out in the Plan. The way that Westpac deals with these issues must support sustainable and meaningful change over the longer term.

While Westpac has made efforts to balance quality with timeliness, those involved in executing the Program should remain cognisant that quality of delivery is essential if the changes are to be sustainable. That is not to say there should be no sense of urgency in Program delivery; indeed, a sense of urgency is vital for the Program to maintain the momentum necessary to its success. Rather, timing considerations should not lead to failing to execute to the quality necessary to engender permanent change. In particular, Westpac should be alert to situations where there is a risk that further necessary work is not carried out due to impending deadlines.

In a few cases, Promontory has observed overly ambitious timeframes alongside complex design, leading to a lack of complete and consistent Group-wide implementation. This is not systemic, however our assessment of Activity 7.2.2 as incomplete was driven in part by incomplete implementation of an ambitious design.

Closely monitoring the quality of implementation should facilitate early intervention in situations where there is likely to be significant tension between quality and timeliness. While Westpac has taken some initial steps towards ensuring that quality is prioritised, further consideration could be given to establishing improved oversight over the quality of execution within the Divisions. This may involve greater engagement with middle and lower-level staff who deliver quality at the coalface, as well further developing a cross-Divisional focus in governance forums. On this front, Westpac has work underway to amend the Program governance structure to ensure it remains fit for purpose as the Program moves towards execution. Another preventative measure that Westpac may take is to continue to promote the delivery of, and openness to, constructive challenge at all levels. Quality implementation can also be facilitated through clear communications from the top to those executing the Program in relation to how competing demands should be prioritised.

### **4.3. Change Fatigue**

Not surprisingly, change fatigue remains a risk for CORE, as it almost always represents an ongoing challenge in such broad transformation programs. Promontory observes that this issue has received considerable attention across the Program and within various governance forums, which is essential if Westpac is to successfully manage this risk. Change fatigue will need to remain the subject of close focus over the coming six months.

Westpac is going through an extended period of broad-based change that is happening throughout the organisation. The significant change agenda that staff at all levels are navigating poses risks to the quality and consistency of Program execution. Change fatigue may put the sustainability of Program outcomes at risk if it causes staff to implement solutions that just get them 'over the line'. Furthermore, change fatigue can pose a risk to the cultural and behavioural changes that Westpac is seeking to implement through CORE.

Communication is key to addressing this risk. Westpac has the opportunity to adapt its communication efforts to support the Program as it moves further to Divisional implementation, and in the period ahead it will be essential to ensure that this communication places emphasis on what Westpac will look like once the root causes of its shortcomings have been addressed. The Program Sponsor can also build on the impetus established during the Reporting Period on the priority of the CORE Program and why it matters.

It is also vital that the Program receives broad buy-in from staff across the organisation, and particularly from those in middle management positions. This may prove challenging as the sizable change agenda across Westpac has given rise to a number of competing priorities that are vying for staff's attention. To date, the Package and Quarterly Business Review

processes have been successfully used as a mechanism for managing the level of change through a structured roll-out of Deliverables. Westpac can continue to lean on these processes to manage the requirements being placed on staff across within the Divisions.

As noted in our Fifth Report, Westpac has monitored the ability of the organisation to absorb the planned changes. During the Reporting Period, Westpac gathered information on change fatigue. This is an important risk management process for the Program, and will need to continue as it moves further into the Implement and Embed phases.

#### **4.4. Engaging Middle Management**

In our previous reports we have noted the importance of engaging middle management to the success of the Program, including ensuring that the 'tone from the top' is cascaded into middle management. The cultural and behavioural changes expected of middle management are critical for the sustained success of Westpac's risk governance uplift, and changes to risk management arising from the Program will need to become part of their day-to-day work.

Westpac has had a strong focus on communication with middle management as part of the Program – 'the mighty middle'. This was one of the outcomes of Westpac's first Six-Monthly Review and included an emphasis on outcomes in Program-related communications from middle management to all staff. There has been an increased focus on communications and engagement with middle management during the Reporting Period. Westpac has tracked the effectiveness of these strategies and continues to evaluate the level of engagement within the 'mighty middle'. This messaging will need to evolve as the Program moves further into the Implement and Embed phases.

The Program is now being increasingly executed within middle management and, as such, requires a coordinated and persistent engagement strategy to support this cohort in achieving the desired shift in risk behaviours. In particular, focused training and an uplift in capability will be important ongoing activities to enable middle management to effectively manage the large number of competing priorities from a broad range of Workstreams.

During the Reporting Period, we observed Westpac taking steps to develop a better understanding of the needs of its middle management to deliver and execute change. For instance, engagement levels within middle management are regularly being tracked through the Voice+ survey. Westpac has also recently introduced a 'Lessons Learned Story' into the huddle guide to help middle management have conversations with their teams about values. Developing this understanding and taking these steps are vital at this point in the Program.

Continuing to assess the level of engagement and response from middle management will be important. This will help ensure that they are given the right tools and support to demonstrate the behaviours necessary to drive sustainable and meaningful change.

## **4.5. Continuous Improvement**

As with any program of this nature we expect that continuous improvements will need to be made to ensure that the intended outcomes of the Program are fully and sustainably achieved.

As execution of the Program continues over the next six months, Westpac will have to grapple with the need to make improvements to the processes and frameworks that are being put in place. In particular, continuous improvements are likely to be necessary where it becomes apparent during implementation that some elements of a design need to be refined.

In these situations, Westpac will need to consider how to adapt its implementation in order to ensure that it is on the path to successfully achieving the intended outcomes of the Program. The process for doing so should be as consistent and efficient as possible. Documenting sound reasons for any modifications will help to ensure that 'change for change's sake' is avoided.

Promontory notes that where changes arise, extensive rework across all aspects of a Deliverable is unlikely to be a common response. Where there are deficiencies in design, we expect that some adjustments will need to be made, but more substantial redesigns should be unnecessary or relatively unusual. In all cases Westpac should prioritise simplicity.

In considering areas in need of continuous improvement, focus is usefully directed to those aspects of the Program where further improvements are required to address the root causes of its shortcomings. Consideration of the value and trend of relevant Outcome Measures and Deliverable Metrics should help in identifying the areas where continuous improvement is needed.

Relevant governance processes, such as the change control process, and rigorous challenge being provided during governance forums will be important mechanisms to test whether the changes being made are appropriate. We will also monitor continuous improvement through our Activity assessments. In order to facilitate our assessments of Activities where continuous improvements have been made, we expect that any changes, and the rationale for such changes, will be included in Closure Packs.

## 5. Workstream Assessment and Progress

### 5.1. Introduction

During the Reporting Period, Promontory closed 32 Activities (10 Design Activities, 21 Implement Activities and one Embed Activity). A further 28 Activities remained under assessment as at the Reporting Date.

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

As noted in section 3.7.1, we assessed one Activity as incomplete for the first time during this Reporting Period. Activity 7.2.2 was assessed as incomplete due to insufficient evidence that several of the Closure Criteria had been met. Further detail about our assessment of Activity 7.2.2 is set out in section 5.4.1.

Table 5.1 provides a list of the Activities that closed during the Reporting Period, and the balance of Chapter 5 provides summaries of our assessment of these Activities.

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

# <sup>4</sup>	Theme	Workstream	Activity	Phase	Activity Sign-Off Date
1	Board Governance	WS1	1.3.2	Implement	27 May 2022
2			1.7.3	Embed	17 June 2022
3			1.8.1	Design	26 May 2022
4			1.8.2	Implement	2 June 2022
5	Culture and Capability	WS2	2.1.2	Implement	5 May 2022
6			2.3.2	Implement	1 April 2022
7		WS3	3.2.3	Implement	16 May 2022
8		WS4	4.1.4	Implement	28 June 2022
9			4.3.3	Implement	27 May 2022
10			4.4.2	Implement	8 April 2022
11		WS5	5.1.5	Implement	1 April 2022

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



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# <sup>4</sup>	Theme	Workstream	Activity	Phase	Activity Sign-Off Date
12	Culture and Capability	WS6	6.4.4	Implement	6 May 2022
13			6.8.2	Implement	13 May 2022
14	Transformation Capability & Delivery	WS7	7.2.2	Implement	13 May 2022
15			7.5.4	Implement	5 April 2022
16	Risk & Compliance Management	WS8	8.2.4	Implement	27 May 2022
17			8.3.4	Implement	18 May 2022
18			8.8.1	Design	10 June 2022
19		WS9	9.1.1	Design	17 June 2022
20			9.2.2	Design	15 June 2022
21			9.3.1	Design	17 June 2022
22		WS10	10.1.1a	Design	10 June 2022
23			10.3.2	Implement	20 May 2022
24			10.6.4	Design	22 April 2022
25		Conduct	WS13	13.1.4	Implement
26	13.3.2			Implement	3 June 2022
27	Complaints	WS14	14.4.3	Implement	7 April 2022
28	Technology & Data Risk	WS16	16.1.3	Implement	23 June 2022
29			16.2.1	Design	28 April 2022
30			16.3.2	Implement	28 April 2022
31	Financial Risk Classes	WS17	17.1.1	Design	2 May 2022
32		WS18	18.1.1	Design	5 May 2022

## 5.2. Board Governance Theme Progress

During the Reporting Period, Promontory assessed four Board Governance Theme Activities as complete and effective. Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 16 of the 30 Board Governance Theme Activities had been assessed as complete and effective.



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

At the Reporting Date, 13 Activities for this Theme remain to be submitted to Promontory for assessment.

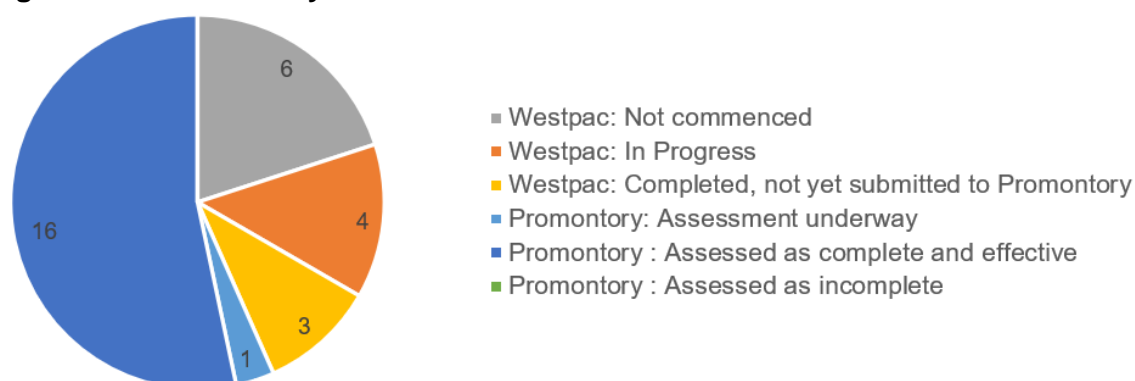
### 5.2.1. Workstream 1 – Board Risk Governance (WS1)

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

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

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

**Figure 5.1: WS1 Activity Status**



**Table 5.2: WS1 Deliverables Progress**

#	Deliverable	Closed Activities	Total Activities
1.1	Board direction on strategy and enterprise investment prioritisation	1	3
1.2	Board risk reporting	1	3
1.3	Board direction on risk appetite	2	3
1.4	Board direction on risk culture	2	4
1.5	Board direction on risk training	1	3
1.6	Board direction on consequences	2	5
1.7	Oversight of Advisory Panel Observations	3	3

#	Deliverable	Closed Activities	Total Activities
1.8	Review of BRiskC and Board Legal, Regulatory and Compliance Committee ( <b>BLRCC</b> ) implementation	2	3
1.9	Review capacity and capability in the 3LoD	2	3
<b>Total</b>		16	30

### Assessment of Deliverable 1.3

Deliverable 1.3 requires the Board to approve the Group Risk Appetite Statement (**RAS**) and provide ongoing oversight of Group and Divisions over managing their risks within appetite.

#### Activity 1.3.2

Implement Activity 1.3.2 requires the BRiskC and BLRCC to provide oversight of the process for implementation of the RAS into Divisions by considering the information provided by management.

The BRiskC and BLRCC provided oversight by:

- participating in deep dive sessions on Divisional RASs and how Divisional RASs are aligned to the Group RAS approved by the Board;
- discussing the process of implementation of the RAS into Divisions at BRiskC meetings; and
- conducting the Annual RAS review.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that the BRiskC and BLRCC had provided oversight over the process for implementation of the RAS into Divisions.

### Assessment of Deliverable 1.7

Deliverable 1.7 requires the BRiskC, BLRCC and accountable executives to oversee the implementation of Advisory Panel’s recommendations. The Board appointed the Advisory Panel to review Board risk governance and Board accountability in relation to the issues raised in AUSTRAC’s Statement of Claim against Westpac in 2019.

#### Activity 1.7.3

Embed Activity 1.7.3 requires the BRiskC, BLRCC, GE FCC&C and GE HR to oversee management’s implementation of the Advisory Panel’s recommendations through the Action Plan.

Westpac's Action Plan identified 11 Advisory Panel recommendations. Westpac has taken action to address each of the recommendations and has integrated its response into its operating practices. Westpac used existing reporting to give the Board and its Committees appropriate oversight and direction on risk management priorities.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding accountability for addressing the recommendations and the finalisation of the Enterprise Risk Assessment.

Based on our assessment of the Activity Closure Pack and the additional documentation we received we concluded that Westpac had taken appropriate steps to oversee management's implementation of the Advisory Panel's recommendations through the Action Plan.

### **Assessment of Deliverable 1.8**

Deliverable 1.8 requires Westpac to review the effectiveness of the structure of the BRiskC and BLRCC and whether they are setting clear expectations and providing appropriate oversight of risk management.

#### **Activity 1.8.1**

Design Activity 1.8.2 requires Westpac to conduct a Board Effectiveness Review (**BER**) that considers the effectiveness of the structure of the BRiskC and BLRCC, as well as whether they are setting clear risk management expectations to management. This Activity also requires Westpac to develop actions to respond to any improvements identified by the BER.

A BER was completed in 2020 which provided Directors and management with the opportunity to provide feedback on the operationalised effectiveness of the BRiskC and the BLRCC. The 2020 BER also considered whether the BRiskC, BLRCC and Board are setting clear risk management expectations.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the BER process and outcomes. We were particularly interested in the methodology of the review and any changes observed since the Board commenced the BERs.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that the BER resulted in improvement to the Board's overall oversight and their approach to challenging management, thereby improving the effectiveness of the operationalised structure of the BLRCC and BRiskC.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 1.8 we would like to see updates from the 2021 BER observations on and any actions resulting from this review, as well as updated progress on the 2020 BER relating to improving BLRCC and BRiskC reporting.

## **Activity 1.8.2**

Implement Activity 1.8.2 requires implementation of actions arising from the BER to improve the effectiveness of BRiskC and BLRCC.

One of the positive aspects of the BER is the enhancements made to shorten papers, eliminate levels of review, and focus on critical topics, including risk issues. The 2021 BER Report has seven recommendations for improving the Board's effectiveness, one of which is specific to the BRiskC and the BLRCC, that is to combine the BLRCC and the BRiskC.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to implement actions identified in the BER to improve the effectiveness of its committees, including the BLRCC and BRiskC, while noting that some of these initiatives, such as shorter, clearer Board papers, are ongoing and will remain so.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 1.8, we will further consider how the BLRCC and BRiskC constructs have contributed to how the Board committees operate effectively, set clear expectations and provide appropriate oversight of risk management.

## **5.3. Culture and Capability Theme Progress**

During the Reporting Period Promontory assessed nine culture and capability Theme Activities as complete and effective. Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 70 of the 113 Culture and Capability Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac submitted the Closure Pack for seven Culture and Capability Theme Activities to Promontory. As at the Reporting Date, Promontory was in the process of assessing eight Activities and 35 Activities for this Theme remain to be submitted to Promontory for assessment.

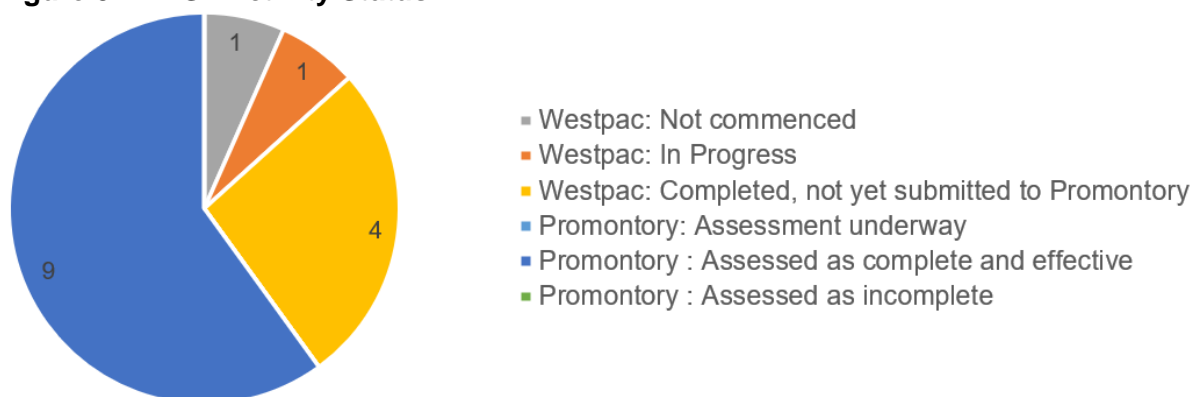
### **5.3.1. Workstream 2 – Executive Culture and Capability (WS2)**

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

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

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

**Figure 5.2: WS2 Activity Status**



**Table 5.3: WS2 Deliverables Progress**

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

### Assessment of Deliverable 2.1

Deliverable 2.1 requires Westpac to strengthen its executive leadership culture by implementing Executive Leadership programmes and initiatives, building on the Culture Transformation Program, to support executive leaders in modelling the behaviours that encourage sound risk management and creating a safe environment in which to voice concerns and issues.

#### Activity 2.1.2

Implement Activity 2.1.2 requires Westpac to communicate and deliver a refreshed GM Executive Leadership Journey plus a pathway for new GMs to enter the Program, implement updated or new Executive Leader onboarding programs and ensure all relevant BAU activities are aligned to the desired behaviours that promote sound risk management and create a safe context to raise issues and concerns.

The primary activities completed were the refreshed and updated Business Leader Culture Development, development of a communications plan to various stakeholders outlining the shifts for the right performance, risk and customer culture, and the Culture Transformation Program developed to strengthen Westpac's executive leadership culture.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the various levels of training attended by Westpac executives and to gain their perspective on what they learned from the training on the new Executive Leadership Program.

Based on our assessment of the Activity Closure Pack and the interviews with executives regarding the new Executive Leadership Program, we concluded that Westpac's Executive Leadership Journey training has led to an uplift in risk behaviours and an alignment across the bank using common language and consistency in approach sufficiently documented within guidance material and supporting documentation. The training appears to have promoted sound management of risks and enabled blame free reporting.

### **Assessment of Deliverable 2.3**

Deliverable 2.3 requires implementation of a culture measurement approach to monitor and inform progress of the Culture Transformation Program and to enable measurement of risk culture.

#### **Activity 2.3.2**

Implement Activity 2.3.2 requires Westpac to implement a culture measurement approach and establish the related operating rhythm (including reporting, communications and change, development of collateral and support for leader-led action).

Westpac outlined work completed with Voice+, the enterprise-wide culture survey tool. Westpac demonstrated how the information collated through Voice+ can be accessed through self-service reporting and forms the basis for action planning sessions for leaders to drive cultural change. Communications were also distributed to encourage engagement to complete Voice+, and results were also shared to evidence to participants that feedback is being heard and that change is happening in response.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the functionality of self-service reporting, additional detail on the operation of the action planning sessions and clarification on guidance material provided to support the action planning sessions.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to launch a culture measurement approach and establish an operating rhythm.

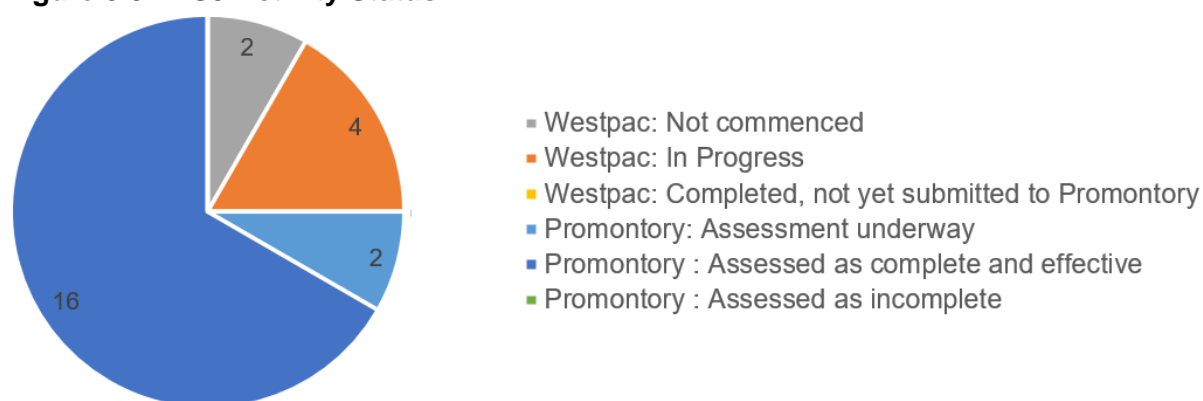
### 5.3.2. Workstream 3 – Risk Culture (WS3)

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

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

This Workstream has four Deliverables consisting of 24 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Amber.

**Figure 5.3: WS3 Activity Status**



**Table 5.4: WS3 Deliverables Progress**

#	Deliverable	Closed Activities	Total Activities
3.1	Risk Culture Framework	4	5
3.2	Risk Culture Dashboard	3	5
3.3	Risk Culture Maturity Self-Assessment	5	8
3.4	Risk Culture Insights Program	4	6
<b>Total</b>		16	24

#### Assessment of Deliverable 3.2

Deliverable 3.2 requires each Division to establish a Risk Culture Dashboard that enables a consistent approach to measuring, monitoring and reporting risk culture.

##### Activity 3.2.3

Implement Activity 3.2.3 requires Divisions to:

- use manual risk culture reporting data; and



- identify improvement areas in the Risk Culture Dashboard.

All Divisions have used manual reported risk culture data including commentary and insights for reporting at Divisional RIKSCOs (or equivalent). The interim Risk Culture Dashboard solution was rolled out and feedback for areas of improvement gathered from the Risk Culture team, Divisional Risk Culture Dashboard users and other key stakeholders. Improvements in the interim Risk Culture Dashboard solution requested include rationalising the number of metrics, to provide greater focus and consistency of risk culture measurement across the Group, and the inclusion of all RCMSA measures and calculations.

Based on our assessment of the Activity Closure Pack we concluded that Westpac had taken appropriate steps to incorporate manual risk culture data into reporting and review the use of the Risk Culture Dashboard.

### **5.3.3. Workstream 4 – Organisational Design (WS4)**

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

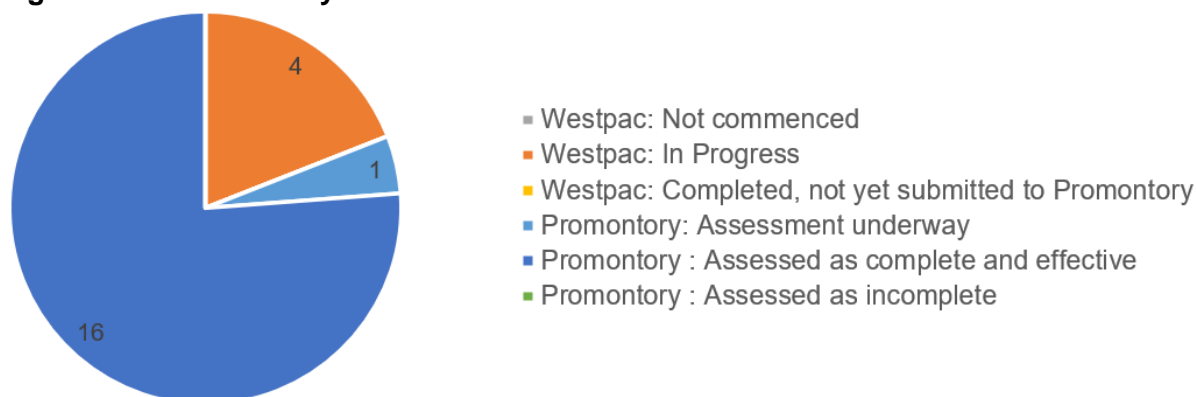
*Westpac has a consistent, simplified organisational design aligned to the Group's strategy. The organisational design provides clear role accountabilities, clarity as to how roles interrelate through end-to-end processes, and the target engagement models to enable good decision-making, drive effective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

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

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



**Figure 5.4: WS4 Activity Status**



**Table 5.5: WS4 Deliverables Progress**

#	Deliverable	Closed Activities	Total Activities
4.1	Organisation Design Principles	4	5
4.2	3LoD model in the First Line	5	7
4.3	Roles, responsibilities, and delegations	5	6
4.4	Making decisions and engaging across roles	2	3
<b>Total</b>		16	21

### Assessment of Deliverable 4.1

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

#### Activity 4.1.4

Implement Activity 4.1.4 requires that measurement tools are implemented and able to provide actionable insights to business leaders on the effectiveness of their organisational designs on role clarity and engagement.

Westpac outlined the implemented tools which provide both an outcome view and employee view of impacts of organisation design. The tools draw on a variety of data points which are collected over various frequencies. Westpac demonstrated how these datapoints provide cross-referenced actionable insight, and are used to inform the development of action plans to address any identified gaps or issues.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the Squad and Chapter Health Check Surveys, the use of the People Dashboard, and requested to interview a People Leader to better understand the lineage of turning insight from Voice+ and other data sources into Action Plans.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to design and implement a toolkit of employee listening tools to test the perceived (employee view) and observed (outcome view) impacts of organisational designs, and that businesses have action plans driven by these insights to resolve gaps or issues.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 4.1, we will consider the status of the single platform rollout of the Squad Health Check Survey to all transformation delivery squads across the Group, the status of the rollout of the Chapter Health Check Survey to include all Chapters, and in relation to the Divisional Action Plans, how well embedded the process is to establish and execute action plans across the Group.

### **Assessment of Deliverable 4.3**

Deliverable 4.3 requires the strengthening of senior leadership accountability through communications and tools that demonstrate accountability being exercised and building on behaviour-based performance frameworks to facilitate employees exercising accountability.

#### **Activity 4.3.3**

Implement Activity 4.3.3 requires the implementation of tools such as dashboards and performance monitoring to track accountability in place.

Westpac developed a dashboard known as the Accountability Monitoring Tool. This was developed following a phase of design and stakeholder engagement to collect and action feedback in relation to the user experience, resourcing and data quality. Once an established approach was agreed to, the tool was built and underwent testing before launching and roll out.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding consideration of Voice+ data, clarification of training attendance and a demonstration of the tool.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to implement a tool to monitor accountability in practice.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 4.3, we will consider the ongoing monitoring of the quality and consistency of Statements of Accountability (**SoAs**), the potential use of a control and annual sample process to enable this monitoring and the use of a checklist for SoA owners and Divisions which covers the understanding, operationalisation and training for the Accountability Monitoring Tool.

## **Assessment of Deliverable 4.4**

Deliverable 4.4 requires the development of decision-making architecture that provides tools and guidance to embed decision-making into behaviours across the 3LoD.

### **Activity 4.4.2**

Implement Activity 4.4.2 requires:

- the inclusion of decision-making tools in the Executive Edge Program and other development programs;
- implementation of training and/or awareness initiatives to build out the decision-making architecture and help people identify good decision-making;
- implementation of tools to articulate the expectations and accountability of those in temporary assignments and as delegates to decision-makers; and
- implementation of Policy Owner accountabilities including their responsibility for removing roadblocks to accountability.

Westpac conducted a Group-wide gap analysis and review of existing tools and guidance for decision-making. Based on these findings, tools and guidance were developed, and a suite of guides, templates and playbooks were finalised and made available to relevant audiences. The decision-making process was included in development programs, including leadership and risk programs.

Westpac aligned 'temporary assignment' terminology to corresponding Westpac terminology to address the lack of access to tools and guidance otherwise available to permanent assignments. A review and gap analysis was conducted on existing tools and resources, as well as the Delegated Authority Policy, with items flagged for revision or a broader application of accountability. Updates were consequently made to a range of items including Checklists, Templates, Help Articles, Policies and FAQs.

Support materials, developed together with the Risk Frameworks and 3LoD teams in the Risk Division, were provided to Policy Owners, definitively outlining their accountabilities. A Policy Owner Playbook was also developed in consultation with Workstream stakeholders, Policy Owners, Divisional implementation leads and change leads, Risk and Credit Assurance, and Group Audit. This was supported through an education session to ensure comprehension of accountabilities and the materials in the Playbook.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had taken appropriate steps to implement decision-making tools in development programs, training and awareness initiatives, tools to articulate expectations and accountability to temporary assignees, and Policy Owner accountabilities were articulated.

Promontory notes that as part of our assessment of the subsequent Activity 4.4.3, we will consider if there are any refinements or changes made to the RASCI, and what those are.

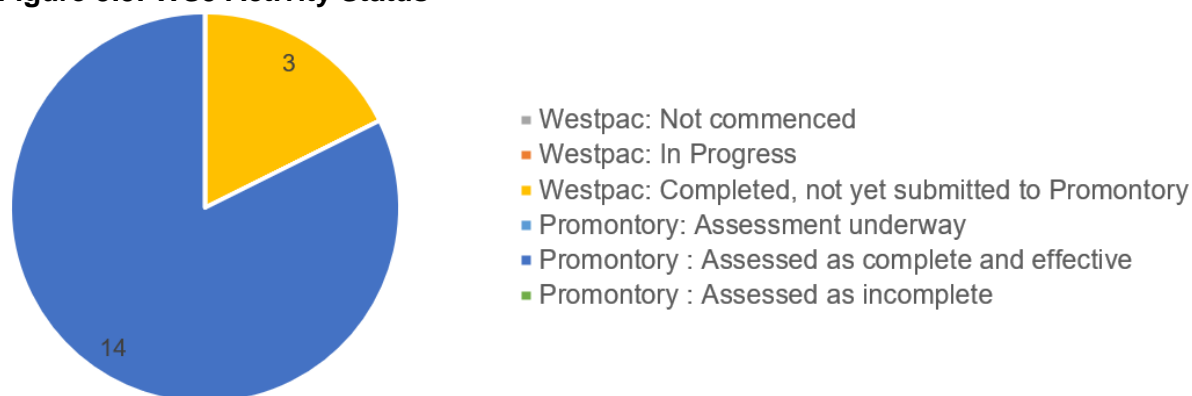
### 5.3.4. Workstream 5 – Remunerations & Consequence Management (WS5)

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

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

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

**Figure 5.5: WS5 Activity Status**



**Table 5.6: WS5 Deliverables Progress**

#	Deliverable	Closed Activities	Total Activities
5.1	Risk adjustment process	5	6
5.2	Risk Gate and Risk Adjustment Criteria	6	7
5.3	Remuneration Framework and Policy	3	4
<b>Total</b>		14	17

### Assessment of Deliverable 5.1

Deliverable 5.1 requires integration of the remuneration adjustment process for employees on Discretionary Short-Term Variable Remuneration (**STVR**) in the regular remuneration cycle.

### **Activity 5.1.5**

Implement Activity 5.1.5 requires formalisation and implementation of processes related to variable compensation at Executive level. This includes the 'look back' process before any equity vesting event for specified groups as set out in the Westpac Group Remuneration Policy, the CEO performance review, independent reporting from other relevant Board Committees, and evidence of the application of discretionary adjustments when making Executive pay decisions. This Activity addresses the findings from the ASIC review of governance practices in the exercise of Board discretion on executive variable pay.

Westpac provided documentation to evidence the existence and operation of these processes in BAU, as well as an explanation of associated communications procedures, and mechanisms for continuous monitoring, governance, and improvement to processes.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding outstanding items, clarification on guidance for the scorecard modifier, additional detail on the referral of matters between committees, and explanation of how this Activity has contributed to simplification efforts.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to formalise and implement processes related to variable compensation at Executive level.

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

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

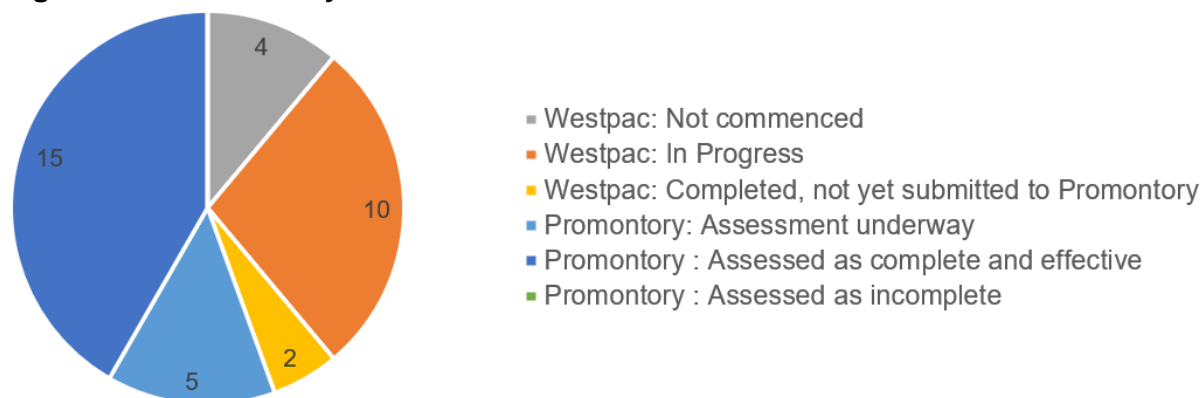
*The Second Line operating model supports the organisation's strategic objectives and serves good risk management practices as required under the RMF and alignment with the 3LOD target model.*

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

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

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

**Figure 5.6: WS6 Activity Status**



**Table 5.7: WS6 Deliverables Progress**

#	Deliverable	Closed Activities	Total Activities
6.1	Organisational structure in the Second Line	2	6
6.2	Risk capacity across the 3LoD	2	5
6.3	Risk capability in the Second Line	2	4
6.4	Risk capability in the First Line	3	6
6.5	Risk capability assessment	0	3
6.6	Risk Fundamentals	2	4
6.7	Risk Knowledge Management Chatbot ('Risk Assist')	2	5
6.8	Risk reporting tools and capabilities	2	3
<b>Total</b>		15	36

### Assessment of Deliverable 6.4

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

#### Activity 6.4.4

Implement Activity 6.4.4 requires defining and implementing capability uplift initiatives for financial crime, operational risk, and compliance and conduct risk classes, as well as reporting progress in capability uplift quarterly.

Westpac reviewed and analysed the common findings from the original assessments taken in Activity 6.4.2 to understand the detailed needs of the Divisions, and to confirm that all gaps were accounted for, and associated initiatives identified for closure. There was central coordination by the WS6.4 team to ensure consistent and integrated implementation by

mapping programs across CORE and developing offerings where it was commonly required across multiple Divisions.

A Responsible, Accountable, Consulted, Informed (RACI) framework was set to ensure clarity around roles and responsibilities. Each Division submitted their action plan in April 2021, followed by quarterly progress reports in June, September, and December 2021. Action plans were uploaded by each Division into a central CORE Team site where CORE and WS6 team members reviewed them for completion and consistency.

After reviewing the Closure Pack for this Activity, Promontory requested a walkthrough with FCC&C on their action plan to better understand how an uplift in the capability of Line 1 has been achieved to date, and how the Activity has contributed to the overall objective of the Deliverable.

Based on our assessment of the Activity Closure Pack, and the walkthrough we conducted, we concluded that Westpac had taken appropriate steps to deliver the capability uplift in the First Line based on gap analysis against target states.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 6.4, we will consider the progress of the remaining work in the action plan.

## **Assessment of Deliverable 6.8**

Deliverable 6.8 requires an improvement of risk reporting. This includes improving risk report writing skills, and establishing feedback mechanisms to encourage ongoing improvement in RiskCo, BRiskC and BLRCC reporting.

### **Activity 6.8.2**

Implement Activity 6.8.2 requires implementing activities to further improve risk report writing by working with Risk and the Company Secretary.

Risk Committee Governance collaborated with the Group Secretariat and First Line stakeholders in relation to delivering the following initiatives:

- The routine collection of committee and paper metrics for BRiskC, BLRCC and RiskCo to track the impact of initiatives to improve risk reporting and committee efficiency over time.
- Training for relevant staff on risk report writing including the 'Board Paper Brilliance' training course, the 'So what Strategy – Advanced Writing Skills course', and the 'Leading Breakthrough Thinking and Communication in Line 1 Risk' Program.
- A feedback mechanism known as the Risk Paper Success Measures to assess the quality of risk reporting and facilitate continuous improvement.
- Guidance and tools to support risk report authors and contributors to prepare quality papers.



After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the scope of the BER, dependencies for the Activity, training, and the Risk Committee Governance Handbook.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to implement further risk report writing improvement activities through collaboration between Risk, the Company Secretariat, and relevant First Line stakeholders.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 6.8, we will consider how further improvement opportunities continue to be addressed on an ongoing basis as part of the feedback mechanisms put in place.

## **5.4. Transformation Capability and Delivery Theme Progress**

During the Reporting Period, Promontory assessed one transformation capability and delivery Theme Activity as completed and effective and one as incomplete. Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 18 of the 31 Transformation Capability and Delivery Theme Activities had been assessed as complete and effective.

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

At the Reporting Date, 10 Activities for this Theme had not yet been submitted to Promontory for assessment.

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

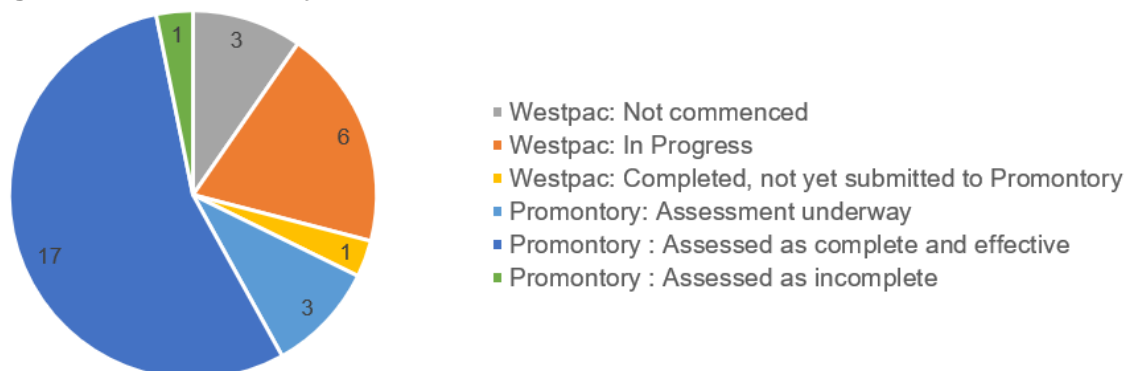
WS7 relates to transformation capability and delivery. The objective of WS7 as set out in the Integrated Plan is that:

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

This Workstream has seven Deliverables consisting of 31 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Red. The main drivers of the Red status are inconsistencies in implementation as set out in the incomplete assessment of Activity 7.2.2 and concerns about the clarity of risk in change requirements within the Divisions.



**Figure 5.7: WS7 Activity Status**



**Table 5.8: WS7 Deliverables Progress**

#	Deliverable	Closed Activities	Total Activities
7.1	Enterprise investment prioritisation reporting and submissions	2	4
7.2	Enterprise change oversight (incl. committees and Line 2 role)	2	3
7.3	Transformation governance and delivery standards	1	3
7.4	Transformation capability	1	3
7.5	Risk in Change accountabilities and training	4	5
7.6	Risk in Change practices	4	6
7.7	Risk in Change reporting	4	7
<b>Total</b>		<b>18</b>	<b>31</b>

### Assessment of Deliverable 7.2

Deliverable 7.2 requires an appropriate level of attention to be given to risk considerations in Westpac’s Enterprise Portfolio Committee meetings and transparency in funding decisions at Divisional forums.

#### Activity 7.2.2

Implement Activity 7.2.2 requires Westpac to review whether an appropriate level of attention is given to risk considerations in Executive Team Transformation meetings and the transparency of funding decisions at Divisional forums.

As part of this Activity, Westpac enacted improvements to Quarterly Business Reviews and enterprise change oversight. A review of these changes was carried out by the Group Transformation Office team through First Line sample testing of decision registers and minutes of the Consumer and Business Bank, Westpac Institutional Bank, Chief Operating Office, Risk Function, FCC&C Function, and CEO marketplace. The results of the review identified areas for improvement in future prioritisation cycles, and an action plan was developed.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the implementation across Group of the changes to enterprise change oversight, the uplift of risk considerations and the transparency of funding decisions at Divisional forums.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that while Westpac had provided information about the implementation of the Activity across five of its Divisions and functions, Westpac had not yet taken sufficient steps to implement the requirements of the Activity across all in-scope Divisions and functions at Westpac.

Promontory therefore assessed this Activity as incomplete. As a result of this, Westpac has made changes to its Integrated Plan to introduce a new Implement Activity and to revise the Embed Activity for Deliverable 7.2. Promontory will re-assess the completion of Activity 7.2.2 once Westpac takes appropriate remedial steps.

## **Assessment of Deliverable 7.5**

Deliverable 7.5 requires Westpac to establish target state 3LoD roles and responsibilities for managing risk in change and a supporting capability pathway for change leaders and change practitioners to strengthen accountability to successfully deliver change outcomes.

### **Activity 7.5.4**

Implement Activity 7.5.4 requires implementation of risk in change capability learning pathway for business owners, change leaders and change practitioners.

Westpac built and implemented a capability learning pathway for the delivery of two eLearning experiences, 'Let's talk about risk in change' and 'Let's manage risk in change'. An external vendor was engaged for the development and delivery of the experiences, with content for the modules drawn from sources including the Group Risk Taxonomy, Risk Management Frameworks (RMF), Risk in Change 3LoD Roles and Responsibilities, Delivery Excellence Knowledge Centre, pain points from Activity 7.3.1, and the Delivery Framework RASCI. Key stakeholders were engaged in storyboard development, to share and test the approach, ensure the learning was meaningful, and to validate the approach against outcomes. Stakeholders included the Enterprise Change Community SMEs, Operational Risk, the Specialist Risk community, Business Controls and Monitoring Heads, CORE Divisional Implementation Leads and Learning and Development Capability Managers.

The modules were deployed with eAcademy as a business requirement for identified audiences as well as being available for voluntary completion.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding interdependencies (**Interdependency**), the review process of the pain points from Activity 7.3.1, and clarification on aspects of the development work completed by the external vendor.

Based on Promontory’s assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to implement a risk in change capability learning pathway for business owners, change leaders and change practitioners.

## 5.5. Risk and Compliance Management Theme Progress

During the Reporting Period Promontory assessed nine risk and compliance management Theme Activities as complete and effective. Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 48 of the 100 Risk & Compliance Management Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac submitted the Closure Pack for eight Risk & Compliance Management Theme Activities to Promontory. As at the Reporting Date Promontory was in the process of assessing 10 Activities for this Theme.

At the Reporting Date, 42 Activities for this Theme had not yet been submitted to Promontory for assessment.

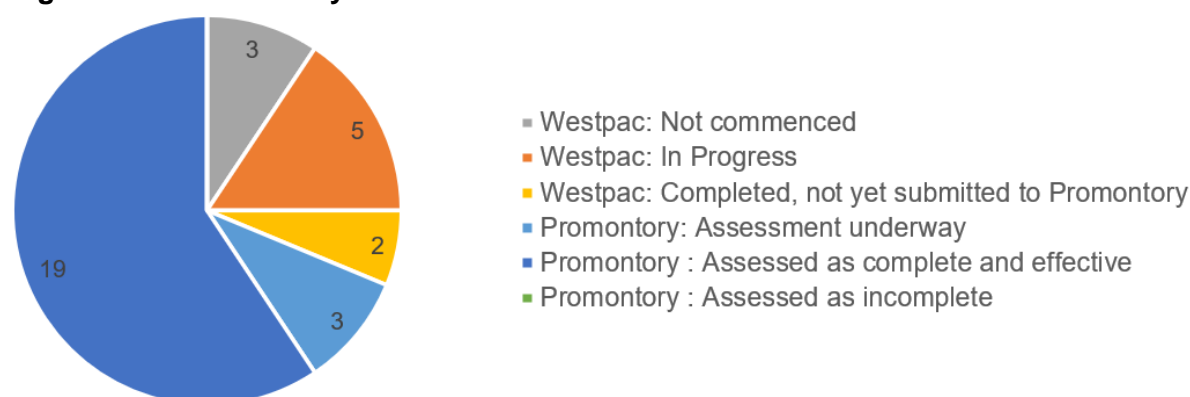
### 5.5.1. Workstream 8 – Risk Management Framework (WS8)

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

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

This Workstream has eight Deliverables consisting of 32 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Green.

Figure 5.8: WS8 Activity Status



**Table 5.9: WS8 Deliverables Progress**

#	Deliverable	Closed Activities	Total Activities
8.1	Risk Management Frameworks and 3LoD	5	7
8.2	Group and Divisional RAS	4	5
8.3	Risk Policy management	4	5
8.4	Reputation Risk and Sustainability Risk	1	3
8.5	Emerging Risks	1	3
8.6	Risk Committees	1	3
8.7	ERM Dashboard	2	3
8.8	Prudential Governance Framework	1	3
<b>Total</b>		19	32

### 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 8.2.4

Implement Activity 8.2.4 requires Westpac to roll out the RAS, RAS Policy, and revised Risk Appetite Dashboards (**RADs**) at the Group and Divisional levels with the support of communication and training. Divisions were required to conduct a self-assessment against the risk appetite policy and develop action plans for identified gaps and remediation of gaps.

At the Group level, the Group RAS underwent its scheduled annual review and was reviewed and approved by the Board with endorsement from the BRiskC. The Divisional RAS’ were updated to reflect the changes to the Board RAS and approved by the Divisional GEs with support from the Divisional CROs.

The Group RAS was operationalised through the production of the Board RAD which reflects the current risk exposures against the appetite set by the Board. The approved Board RAD was tabled at the Group RiskCo and BRiskC for risk appetite monitoring. Similarly, the approved Divisional RADs were tabled at their corresponding Risk Committees for risk appetite monitoring against the measures set out in the respective Divisional RAS.

The Divisions completed a self-assessment of their risk appetite practices against the requirements of the RAS Policy. The thematic issues were identified and action plans to address the gaps were developed and approved by the Divisional GEs. The self-assessment was also conducted at the Group level and thematic findings were captured with associated remedial action plans.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the RAS Policy, Board RAD, and Divisional RAD implementation. We were particularly interested in the effectiveness of the self-assessments against the RAS Policy and the process to capture the findings. In relation to the Board RAD and Divisional RAD, we were particularly interested in the monitoring of out-of-appetite risk measures and the remediation plans to bring the risk measures within appetite.

Based on our assessment of the Activity Closure Pack, and the additional documentation we received, we concluded that Westpac had taken appropriate steps to put into effect the RADs at the Group and Divisional levels, and a suitable process has been undertaken to identify the gaps and deficiencies against the RAS policy at the Group and Division levels.

Promontory noted that, as part of our assessment of subsequent Activity 8.2.5 within Deliverable 8.2, we will consider the management of existing out-of-appetite risk measures and the effectiveness of the remediation actions implemented, assessments of the controls relevant to the RAS and the effectiveness of the remediation to address all the gaps identified from the RAS policy self-assessments conducted.

### **Assessment of Deliverable 8.3**

Deliverable 8.3 requires reduction of policy proliferation and complexity. This includes having a policy which provides guidance on how to reduce policy proliferation and complexity and provide clarity on policy ownership, facilitating a more simplified and rationalised risk policy landscape.

#### **Activity 8.3.4**

Implement Activity 8.3.4 requires the Risk Framework and Policy Owners to commence rationalising risk documents in accordance with the requirements of the Frameworks and Policy Management Policy (**FPMP**).

Westpac has made progress on rationalising the risk documents in accordance with the FPMP. This includes separating out procedural content from the Framework or Policy into separate Standards or Procedures with the aim of making Policy more principles based or simpler, retiring risk documents no longer used or accessed, and reclassifying risk documents which were classified at the incorrect document hierarchy. The Risk Frameworks and Policy Management team provided guidance over the rationalisation process to promote consistency.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding progress on rationalising documents as well as the governance provided over the rationalisation process. We were particularly interested in understanding the rationale for not proceeding with rationalising certain documents, the delay for rationalising certain documents, as well as the oversight and challenge role that the RFPM team have over the rationalisation process.

Based on our assessment of the Activity Closure Pack and the additional documentation we received we concluded that Westpac had taken appropriate steps to begin and make good progress on rationalising documents in accordance with the FPMP.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 8.3, we will consider whether there is an appropriate rationale for not proceeding with rationalising certain risk documents, if any, as well as the actions taken to identify and address an issue identified by Group Audit.

## **Assessment of Deliverable 8.8**

Deliverable 8.1 requires Westpac to review and enhance the Prudential Governance Framework to uplift the end-to-end management of prudential obligations.

### **Activity 8.8.1**

Design Activity 8.8.1 requires Westpac to:

- Review the current process for managing prudential obligations end-to-end, including a review of the processes, change management, systems, attestations, reporting, roles and responsibilities and Prudential Governance Framework more broadly.
- Document standards to align management of prudential obligations with management of compliance obligations, including mapping to value chains as per the relevant standards.
- Review the Prudential Obligations Library for completeness and adherence to the Style Guide prescribed by the Obligations Library Policy, addressing gaps identified, and upload prudential obligations into JUNO (**JUNO**).
- Perform a high-level review of the robustness of the control environment for prudential obligations, and share findings with prudential standard owners for future risk/compliance assessments and Control Self-Assessments (**CSAs**).

Westpac engaged a consulting firm to perform a review of the current process for managing prudential obligations. In addition, Westpac performed a review of the governance model and attestations. This identified opportunities to simplify the approach for the business owners and drive a more integrated risk and compliance approach which is part of the risk management activity. This resulted in new policies, responsibilities and a Style Guide being developed on how obligations must be maintained and managed.

Westpac, in line with the Policy and Guidance Framework, developed the Obligations Library which was uploaded into JUNO following a review by a consulting firm and the obligations owners. Westpac also engaged the consulting firm to perform the high-level review of the control environment for each prudential standard with outcomes shared with standard owners.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the Prudential governance model, control review, the post implementation review and approach to managing the interpretation of prudential obligations.

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

- an end-to-end review of current-state process for managing prudential obligations has been undertaken;
- documentation of standards on alignment between prudential obligations management and compliance obligations management has been completed and obligations have been uploaded into JUNO;
- a report has been prepared demonstrating a high-level review of the control environment against prudential obligations, with material gaps identified and documented. Findings have been provided to each prudential standard owner; and
- refreshed prudential obligations are in JUNO.

Promontory noted that as part of our assessment of subsequent Activities within Deliverable 8.8, we will consider how Westpac centrally tracks and documents the interpretation and assumptions underlying prudential obligations, as well as any controls that form part of this process. Promontory will also consider progress in relation to the implementation of practice guides in the Prudential Obligations Library.

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

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

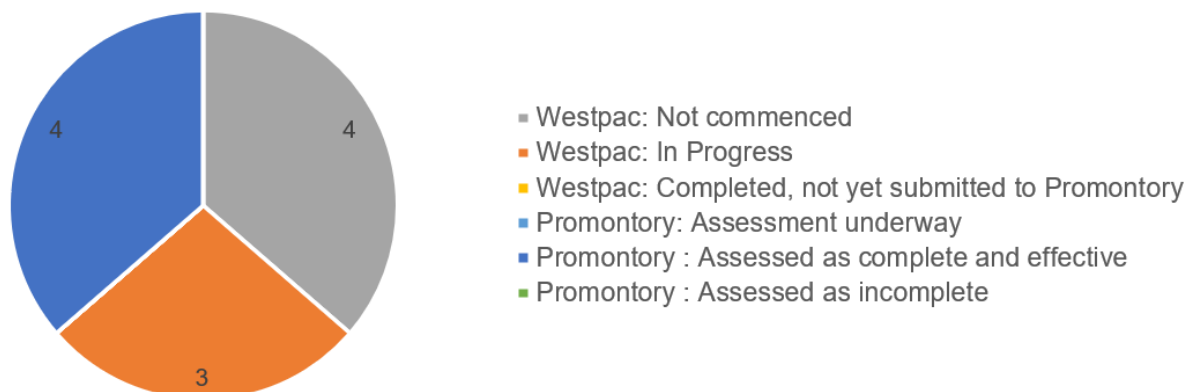
*JUNO is enhanced, including provision of consistent, timely and meaningful risk information to the Board and management through standardised risk reports and dashboards that provide insights and inform decision-making. JUNO is the system of record for non-financial risks, obligations, controls, issues,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

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



status are the need to reprioritise the Strategic Insights Platform (SIP) scope, as well as cost and resourcing constraints.

**Figure 5.9: WS9 Activity Status**



**Table 5.10: WS9 Deliverables Progress**

#	Deliverable	Closed Activities	Total Activities
9.1	NFR infrastructure, analytics, and reports	1	3
9.2	JUNO functionality upgrade	2	4
9.3	JUNO data quality and support model	1	4
<b>Total</b>		4	11

### Assessment of Deliverable 9.1

Deliverable 9.1 requires support for the Non-Financial Risk (NFR) analytics and reporting capability with centralised infrastructure to deliver agile data and reports with actionable insights.

#### Activity 9.1.1

Design Activity 9.1.1 requires the creation of a roadmap for the consolidation and uplift of existing Group-wide and Divisional NFR reporting to better support risk-based decision making. This includes a current state review and identification of JUNO changes as an input to the technology architecture (Activity 9.2.2).

Westpac, with the assistance of a consulting firm, performed a current state review of NFR reporting practices and a review of the operating models for the risk and compliance systems. The outputs of these reviews were then used to define the scope of the target state for the NFR Reporting and Infrastructure Roadmap to achieve the desired state.

An Integrated Delivery Approach was developed to enable the various activities to be considered holistically. As part of the approach, Westpac developed a Delivery Roadmap which prioritised key system changes required to deliver the required outcomes.



After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the current state review and approach to the target state design, including stakeholder engagement, prioritisation and oversight.

Based on our assessment of the Activity Closure Pack, the interviews and additional documentation we received, we concluded that the target state for NFR reporting and infrastructure have been defined and aligned with the organisational operating model.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 9.1, we will consider how the NFR analytics and reporting are used by Divisions and Risk Committees to improve decision making and management of Westpac's risk profile. Promontory will also consider how this information is used to drive the continued improvement of data quality, dashboards (as necessary) and reporting, to meet user requirements.

## **Assessment of Deliverable 9.2**

Deliverable 9.2 requires the evolution of JUNO functionality to support maturity of risk and compliance practices. This includes, but is not limited to, improvements in functionality for issues, incidents, obligations, and controls management.

### **Activity 9.2.2**

Design Activity 9.2.2 requires the design of the technology architecture for NFR management and reporting, with JUNO as the system of record and other systems or tools for reporting (e.g., SIP). Design Activity 9.2.2 also requires the establishment of an ongoing change governance and operating model to deliver the changes as per the JUNO roadmap.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the Prioritisation Framework and the Front Door Process. In particular, we were interested in how Westpac deals with contentions between change requests, as well as further information on how and by who the feasibility assessment is performed.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to define the technology architecture for NFR management and reporting. We were also satisfied that Westpac had taken appropriate steps to define the JUNO roadmap to better support risk and compliance management practices, and to establish the ongoing change governance and operating model to deliver further changes in accordance with the JUNO roadmap.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 9.2, we will consider the tools and templates that Westpac developed to support the conduct of a feasibility assessment, as well as the approach to the review of the Operational Risk Execution Roadmap and key outcomes of the review.

## **Assessment of Deliverable 9.3**

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

### **Activity 9.3.1**

Design Activity 9.3.1 requires defining enhanced data quality review reporting tools to better support First Line and Second Line data quality reviews. The Activity also requires defining the JUNO support model and enhancing JUNO experience to better aid users in their data capture activities.

A set of data quality rules and metrics were identified from existing operational risk management policies and standards. The set of rules and metrics will serve as fundamental inputs to the data quality reporting tools that will be built in subsequent activities within Deliverable 9.3.

In addition, Westpac looked at the data elements that are critical for management and Board reporting, from an operational risk management perspective, and applied the principles of the Group Data Risk Management Policy to uplift the data quality around those critical data elements.

The support model was designed to collectively support the users of JUNO and other key systems namely COGNOS and SIP. The target state of the support model services was defined, and a high-level resource requirements analysis was performed to determine if there are current resources assigned to perform these services.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the scope of Activity 9.3.1 and data quality in the context of JUNO. We were particularly interested in the data quality issues in the context of JUNO and operational risk management, and the effective application of the Group Data Risk Management Policy for the identified critical data elements.

Based on our assessment of the Activity Closure Pack, the additional documentation we received, and the interviews we conducted, we concluded that Westpac had taken appropriate steps to define the inputs to the target state of the data quality review reporting tools to uplift data quality from an operational risk management perspective.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 9.3, we will consider the completion of the build of the data quality review reporting tools, the process and governance supporting data quality reviews, and formalisation of the JUNO support model.

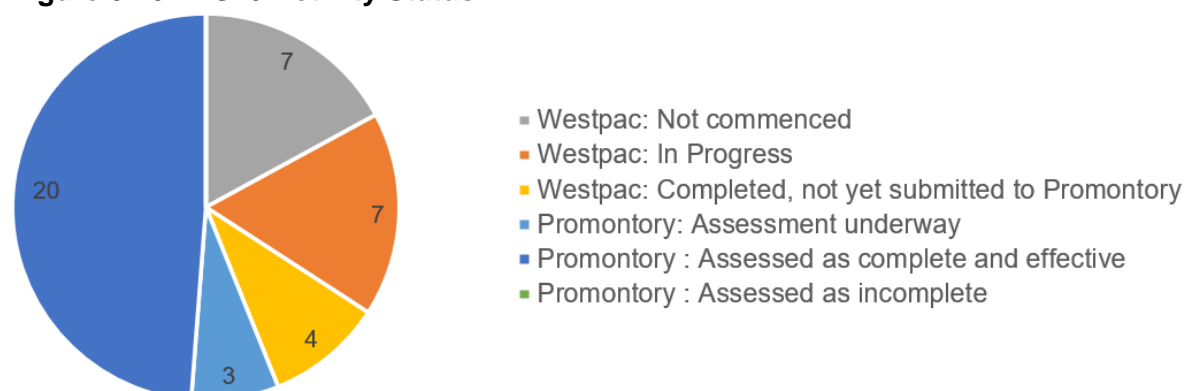
### 5.5.3. Workstream 10 – End-to-End Risk and Control Environment (WS10)

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

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

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

**Figure 5.10: WS10 Activity Status**



**Table 5.11: WS10 Deliverables Progress**

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

#	Deliverable	Closed Activities	Total Activities
10.7	Value Chain Maintenance solution	0	3
	<b>Total</b>	20	41

### Assessment of Deliverable 10.1

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

#### Activity 10.1.1a

Design Activity 10.1.1a requires the review of the risk assessment methodology and capture of the revised requirements in the Risk and Control Assessment (RCA) Policy and Guidance, to reflect any required learnings and updates to support the broader implementation of the Value Chain Management Framework.

The RCA Policy was updated to provide direction for the non-customer facing services to be included in the end-to-end risk management approach across the Group. The Policy was also updated for better alignment with other risk and control management policies and guidelines. Updates were communicated through different methods and different channels were also established to support Divisions with WS10 and Deliverable 10.1 queries.

Based on our assessment of the Activity Closure Pack and the interviews we conducted, we concluded that Westpac had taken appropriate steps to update the RCA Policy to support the broader implementation of the Value Chain Management Framework across the Group.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 10.1, we will consider the adequacy of the Risk Assessment Methodology, the updates made to the relevant policy and framework documentation to address lessons learned through the implementation phases of WS10, and the effectiveness of tools and processes being developed to ensure sustainability with the review and maintenance of risk and control.

### Assessment of Deliverable 10.3

Deliverable 10.3 requires the:

- performance of CSAs by focusing on high-rated risks within each value chain/risk profile;
- identification of control gaps and weaknesses and logged as issues in JUNO (in accordance with the Issues Management Policy) and sound action plans created;
- enhanced CSA guidance (captured in the Risk Playbook) and training, and support the roll-out of CSA and control monitoring processes; and

- establishment of controls oversight as a mandatory agenda item at Divisional RiskCos.

### **Activity 10.3.2**

Implement Activity 10.3.2 requires:

- Westpac to revise the CSA requirements, guidance and training based on experience over the previous 12 months;
- Divisions to complete CSAs on key controls mitigating high-rated risks and obligations in the context of each value chain/risk profile in parallel to the risk assessment;
- Westpac to log issues in JUNO with clearly articulated closure plans documented to address identified control gaps/weaknesses;
- First Line teams to perform periodic reviews to ensure CSAs and controls monitoring processes are adequate;
- Westpac to identify lessons learned to inform FY22 CSA planning and prioritisation activities;
- Westpac to monitor controls across the CSA lifecycle, including identification of opportunities for control standardisation, rationalisation and removal of duplicate controls; and
- Divisions to provide dashboards to Divisional RiskCos.

Westpac engaged a consulting firm to conduct an external Post Implementation Review, looking at the efficacy of the CSA Policy requirements, guidance and training based on the experience from the FY20 CSA exercise. This included consultation with First and Second Line teams across the group with updates planned to policy, guidance and training.

CSAs, along with Control Assessor Reviews, have been performed for high-rated risks across the customer facing LOB with oversight by the Second Line including reports on outcomes to the respective Divisional LOB RiskCos and relevant stakeholders. As part of the CSA exercise, control gaps and weaknesses were identified and logged as issues in JUNO with related action plans which are reported through to the relevant RiskCos.

Westpac conducted a Post Implementation Review workshop with the Divisions, where learnings from FY21 CSA process were collated to identify areas that required enhancements in FY22. Westpac also identified opportunities for control standardisation, rationalisation and removal of control duplication which was reported to the Divisional RiskCos.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the adequacy of stakeholder engagement and training, the consistency of implementation across the group, actions to address issues raised through the

post implementation review, Second Line and Audit reviews, and the role of service providers in performing CSAs.

Based on our assessment of the Activity Closure Pack, the interviews and additional documentation we received, we concluded that Westpac has:

- commenced CSAs focusing on the controls mitigating high-rated risks and obligations within each of the in-scope value chains and risk profiles;
- identified and logged control gaps and weaknesses as issues in JUNO with clearly articulated closure plans;
- implemented a periodic First Line review process to ensure CSA and controls monitoring processes are adequate; and
- identified opportunities to inform FY22 CSA planning and prioritisation activities.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 10.3, we will consider the updates to the CSA methodology and related implementation for the use of operational risk scenario analysis and for automated and semi-automated controls, and actions taken to address the Group Audit and Second Line findings. We also will continue to assess the sufficiency and adequacy of Westpac's capability to effectively conduct CSAs across the group.

## **Assessment of Deliverable 10.6**

Deliverable 10.6 requires the strengthening of Westpac's capability for root cause analysis and learning lessons to support issues and incident management. This includes establishing a group of root cause analysis practice leaders to investigate major incidents and systemic/thematic issues to support effective application of root cause analysis in the Divisions.

### **Activity 10.6.4**

Design Activity 10.6.4 requires the design of the process to perform root cause analysis for issues and incidents, and to share lessons learned.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the definition of a 'high' number of incidents, the timeframes for when a root cause analysis should commence and be completed, as well as Second Line's role over the root cause analysis process.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that Westpac had taken appropriate steps to design the process to perform root cause analyses for issues and incidents, and the process to share lessons learnt.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 10.6, we will consider the appropriateness of the Root Cause Analysis Practice Guide, the outcomes of the test and learn in relation to whether the scope of issues and incidents requires amending, and the role of the Second Line in the root cause analysis process.

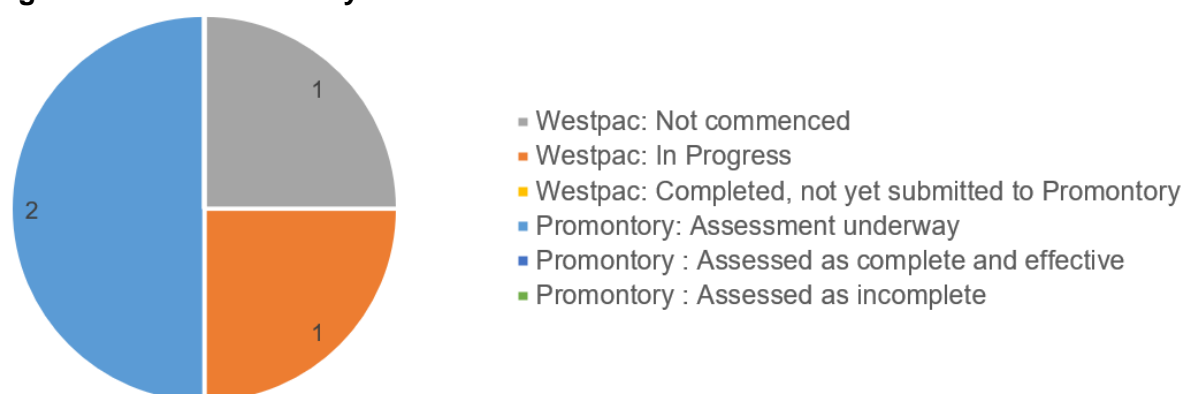
#### 5.5.4. Workstream 11 – Assurance (WS11)

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

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

This Workstream has one Deliverable consisting of four Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Red. The main driver of the Red status is the need to refine the scope of the Workstream in relation to first line reviews.

**Figure 5.11: WS11 Activity Status**



**Table 5.12: WS11 Deliverable Progress**

#	Deliverable	Closed Activities	Total Activities
11.1	Assurance	0	4
	<b>Total</b>	0	4

#### 5.5.5. Workstream 12 – Compliance Management (WS12)

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

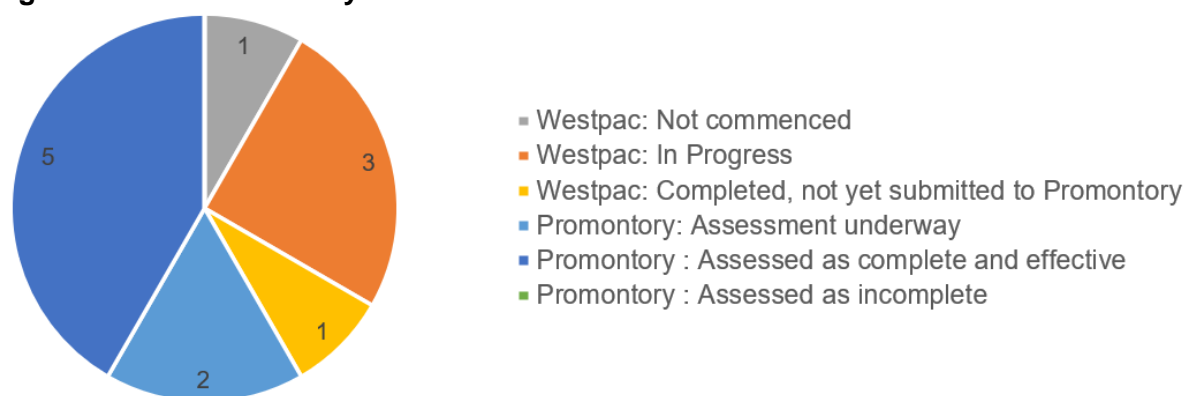
*Westpac has a consistent view of its material obligations that is reflected in the Obligations Library, with clear responsibilities for ensuring consistency and completeness of each element*



of the Library. The processes to identify, assess and report breaches internally and to regulators if required are effective, efficient and conform with regulatory requirements. Regulatory commitments are systematically and effectively managed.

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

**Figure 5.12: WS12 Activity Status**



**Table 5.13: WS12 Deliverables Progress**

#	Deliverable	Closed Activities	Total Activities
12.1	Compliance Obligations management	1	3
12.2	Breach reporting	1	3
12.3	Regulatory commitments	1	3
12.4	Managing regulatory developments	2	3
<b>Total</b>		<b>5</b>	<b>12</b>

## 5.6. Conduct Theme Progress

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

During the Reporting Period Westpac submitted the Closure Pack for one conduct Theme Activity to Promontory. As at the Reporting Date Promontory was in the process of assessing two Activities for this Theme.

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



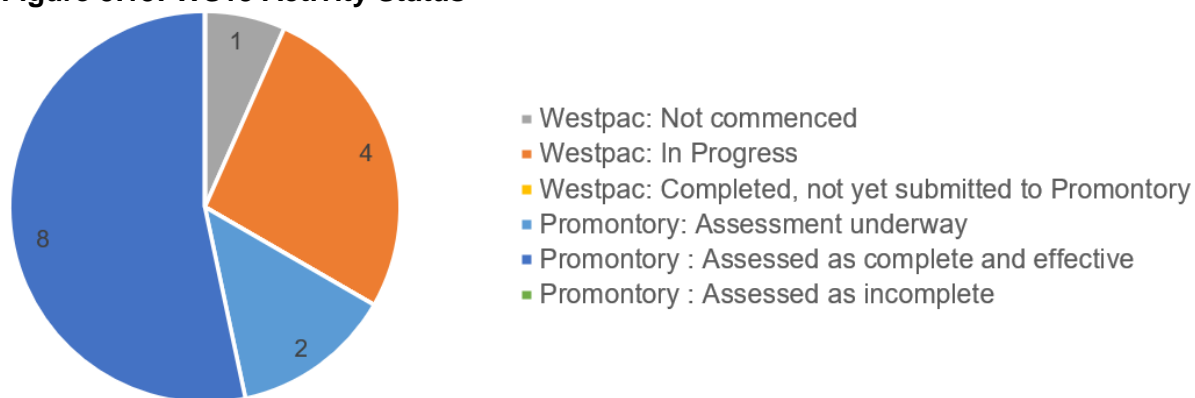
### 5.6.1. Workstream 13 – Conduct Risk (WS13)

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

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

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

**Figure 5.13: WS13 Activity Status**



**Table 5.14: WS13 Deliverables Progress**

#	Deliverable	Closed Activities	Total Activities
13.1	New Code of Conduct	4	5
13.2	Conduct Risk training and guidelines	1	4
13.3	Conduct Risk 3LoD target operating model	2	3
13.4	Conduct Risk assessment and reporting	1	3
<b>Total</b>		<b>8</b>	<b>15</b>

#### Assessment of Deliverable 13.1

Deliverable 13.1 requires Westpac to establish and roll out the new Code of Conduct which houses the ‘Should We?’ test as the key policy platform that explains conduct risk expectations in plain language to resonate with all employees.

##### Activity 13.1.4

Implement Activity 13.1.4 requires recommendations to Policy Owners regarding potential areas requiring uplift from a conduct risk perspective. Policy owners are then expected to review and/or update the policies within their regular review cycle to incorporate recommendations.

Recommendations regarding areas to uplift from a conduct risk perspective were made in relation to five human resources policies that are referenced in its Code of Conduct that was updated in 2020, with implementation plans outlining the timing for implementation of each recommendation.

As a result of a follow-up item of a previous activity (13.1.3), Westpac advised that eight additional policies that are referenced in the Code of Conduct had also been reviewed, with the balance of the 31 policies in the Code of Conduct still to be reviewed.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the timeliness of reviewing and providing recommendations to uplift all 31 policies referenced in the Code of Conduct from a conduct risk perspective, and the time in which it was expected that Policy Owners would implement the recommendations by way of an updated policy.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to develop recommendations to support Policy Owners in uplifting their policies from a conduct risk perspective.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 13.1, we will consider whether timeframes for reviewing and updating the policies referenced in the Code of Conduct that were produced by Westpac in response to our assessment have been met.

### **Assessment of Deliverable 13.3**

Deliverable 13.3 requires Westpac to establish roles and responsibilities for conduct risk across the 3LoD in alignment with broader 3LoD target-state model and activity transfer.

#### **Activity 13.3.2**

Implement Activity 13.3.2 requires Westpac to conduct a checkpoint across selected Divisions to assess the maturity and implementation status of conduct risk and identify best practice and additional activities to aid the embedment and maturity of conduct risk.

A checkpoint that included a questionnaire and structured discussions was conducted across six Divisions of Westpac to ascertain how Divisions are implementing and reinforcing effective conduct risk management with consideration of the Financial Conduct Authority's '5 Conduct Questions Program'. An external consulting firm was also engaged to provide industry and international best practice insights against conduct risk questions that Westpac developed for the purposes of conducting the checkpoint.

In assessing the results of the checkpoint, Westpac identified five conduct risk maturity drivers and 10 initiatives to further aid the embedment and maturity of conduct risk within Westpac.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding Westpac's approach to assessing the maturity and implementation status of conduct risk. We also sought further details about the timing of the 10 initiatives, and how these initiatives may interact with other Activities within the Integrated Plan to further aid the embedment and maturity of conduct risk management within Westpac.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to conduct a checkpoint across selected Divisions to assess maturity and implementation status of conduct risk and to identify initiatives to further aid embed and maturity.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 13.3, we will consider the implementation of the initiatives that were developed in this Activity. Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 13.4, we will consider how Workstream 13 has ensured senior management are provided with conduct risk metrics.

## **5.7. Complaints Theme Progress**

During the Reporting Period Promontory assessed one complaints Theme Activity as complete and effective. Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 16 of the 18 complaints Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac did not submit any Closure Packs for the complaints Theme Activity to Promontory. As at the Reporting Date Promontory was in the process of assessing one Activity for this Theme and one Activity for this Theme had not yet been submitted to Promontory for assessment.

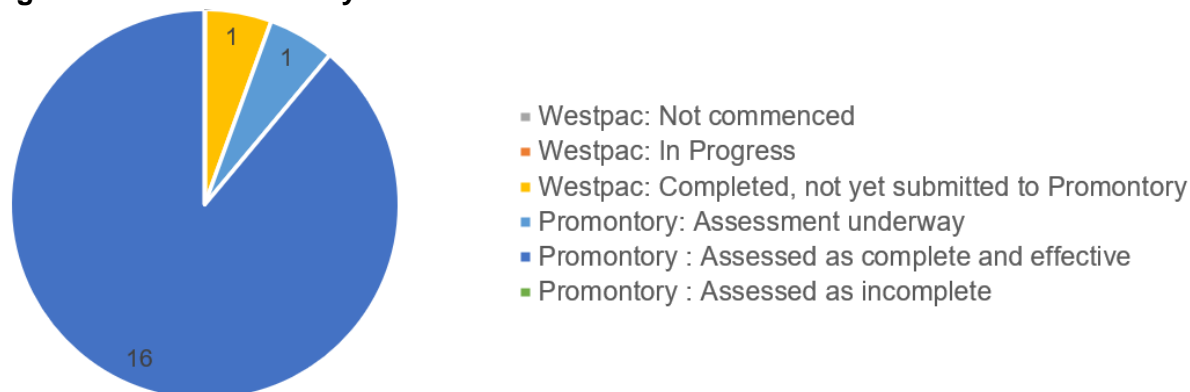
### **5.7.1. Workstream 14 – Customer Complaints (WS14)**

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

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

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

**Figure 5.14: WS14 Activity Status**



**Table 5.15: WS14 Deliverables Progress**

#	Deliverable	Closed Activities	Total Activities
14.1	Complaints Management changes	3	3
14.2	Operationalisation of updated Customer Complaints Policy	5	5
14.3	Complaints Management System, Release 1 (Main Bank excluding Wealth)	5	6
14.4	Release 2 of Complaints Management System (Divisions within Wealth and additional features)	3	4
<b>Total</b>		16	18

### Assessment of Deliverable 14.4

Deliverable 14.4 requires Westpac to establish its centralised complaints system Resolve through a Release 2 roll-out across the Main Bank and Wealth, with additional features.

#### Activity 14.4.3

Implement Activity 14.4.3 requires Westpac to build and implement Resolve Release 2.2 (extension of system capabilities) to in-scope front line users, and to roll out Resolve Release 2.2 to remaining in-scope users.

In completing this activity, Westpac built and delivered additional functional capability to its prior Resolve release, and introduced system features that support compliance. Legacy complaints management systems were closed out, and remaining users were onboarded to Resolve. Change Release Plans were developed for Release 2.2 to support business roll out.

Westpac utilised agile project methodology techniques to support delivery of Resolve Release 2.2 and conducted build and test activities that were governed by a testing strategy and plan. It also conducted assurance activities for Release 2.2 that included the use of a Risk and

Compliance Matrix to identify and assess potential delivered risks and corresponding controls to mitigate risks. Risk assurance also performed a limited assurance review over 10 controls.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had taken appropriate steps to build, test and roll out to in-scope front-line users Resolve functionality for Release 2.2 that included an extension of system capability.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 14.4, we will consider the further development of the Sustainability Principles as they apply to this Deliverable, to ensure that its outcomes are sustained into the future.

## **5.8. Technology and Data Risk Theme Progress**

During the Reporting Period Promontory assessed three technology and data Theme Activities as complete and effective. Taking into account Activities assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of 11 of the 25 technology and data Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac submitted the Closure Pack for one technology and data Theme Activity to Promontory. As at the Reporting Date Promontory was in the process of assessing one Activity for this Theme.

At the Reporting Date, 13 Activities for this Theme had not yet been submitted to Promontory for assessment.

### **5.8.1. Workstream 15 – Technology Risk Governance (WS15)**

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

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

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

Figure 5.15: WS15 Activity Status

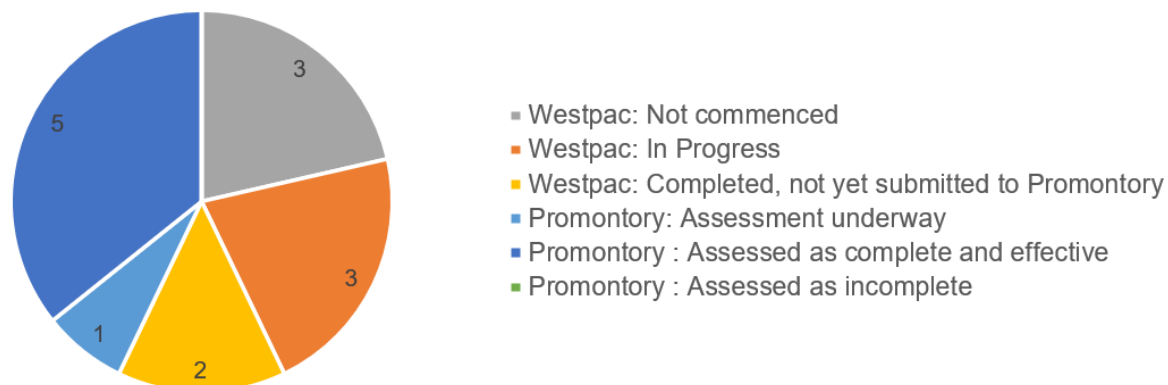


Table 5.16: WS15 Deliverables Progress

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

### 5.8.2. Workstream 16 – Data Risk Governance (WS16)

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

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

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

Figure 5.16: WS16 Activity Status

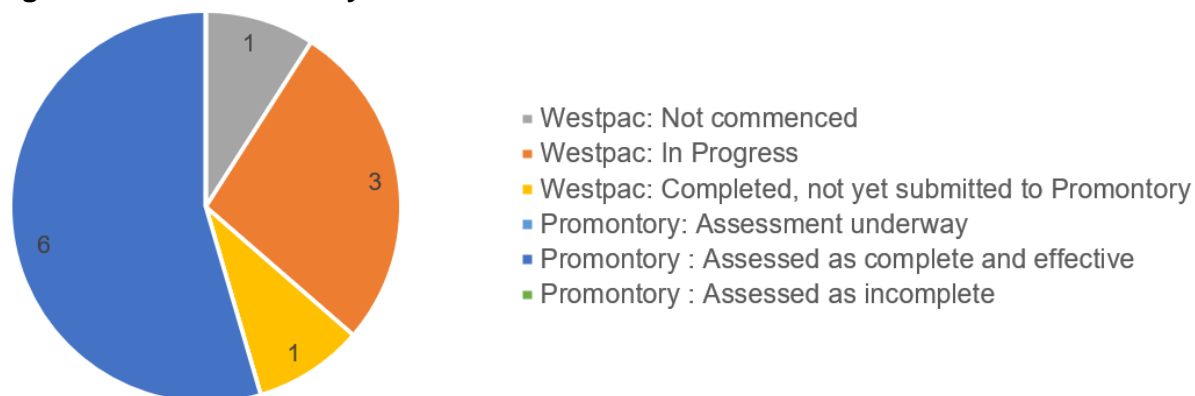


Table 5.17: WS16 Deliverables Progress

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

### Assessment of Deliverable 16.1

Deliverable 16.1 requires the review and enhancement of the Group’s data oversight and operating models, with particular focus on the assessment and measurement of risk against risk appetite.

#### Activity 16.1.3

Implement Activity 16.1.3 requires Westpac to identify Critical Data Elements (**CDEs**) to be onboarded across the organisation.

Westpac implemented a process for identifying CDEs across the Group and documented a final list of all CDEs identified through this process. Documented CDE guidance and training sessions were also established to provide detailed direction for ongoing identification of CDEs. The established guidance includes several measures to ensure the completeness of the CDE lists and will be reviewed on a regular basis to make sure it remains fit for purpose.

After reviewing the Closure Pack for this Activity, Promontory requested further information and an interview regarding elements of the end-to-end CDE identification process, CDE identification guidance, dependencies with other workstreams supporting the identification of a subset of CDEs, and data ownership and governance structure.

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

steps to identify and document a complete list of CDEs across the organisation, and document an approach to ongoing identification of CDEs.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 16.1, we will consider the review of the data risk RAS measure and sustainable use of CDE processes and guidance. As part of our assessment of subsequent Activities within Deliverable 16.2, we will consider the process developed to address changes to CDEs.

### **Assessment of Deliverable 16.2**

Deliverable 16.2 requires the implementation of the Data Management Operating System (DM-OS) and onboarding of the Group's CDEs onto the system.

#### **Activity 16.2.1**

Design Activity 16.2.1 requires Westpac to define and document the processes for managing CDEs in DM-OS, including the design of the DM-OS operating model and any supporting teams.

A Target Operating Model for managing data quality of CDEs has been defined in support, which lists the minimum attributes expected to be in operation for DM-OS. The final design of DM-OS has been circulated for feedback and approved and new processes have been defined to support DM-OS, including processes for Data Incidents and Data Problems which will be covered by Deliverable 16.3.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the new processes defined in support of DM-OS, the gap analysis done regarding the Target Operating Model, and the internal assessment of the applications linked to DM-OS.

Based on our assessment of the Activity Closure Pack, the additional documentation received and the interviews we conducted, we concluded that the processes, tools and processes associated with managing CDEs in DM-OS have been defined, and that training and communication activities have been defined in preparation for the implementation of Deliverable 16.2.

### **Assessment of Deliverable 16.3**

Deliverable 16.3 requires the implementation of a framework and definitions for defining and categorising data incidents across Westpac.

#### **Activity 16.3.2**

Design Activity 16.3.2 requires that the data operations for the management of data incidents and problems, defined in 16.3.1, have been implemented across the Group.

Westpac updated the Data Incident and Problem Management Process to reflect changes across the organisation. In support of the implementation, Westpac performed an impact



assessment, developed a Change Management Plan, and performed a capability gap analysis. The new processes have been implemented, and between July 2021 and October 2021, 980 data incidents and 189 data problems were remediated.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the feedback received on the supporting activities performed, the provision of training, updates to existing policies and guidelines, and the changes required for supporting applications.

Based on our assessment of the Activity Closure Pack, the additional documentation received and the interviews we conducted, we concluded that the Data Incident and Data Problem processes are now in use, feedback was obtained from stakeholders in the Group, and that relevant policies and guidelines have been rolled out in support.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 16.3, we will consider evidence to demonstrate that all data incidents and data problems are being correctly identified and recorded.

## **5.9. Financial Risk Classes Theme Progress**

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

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

### **5.9.1. Workstream 17 – Credit Risk Governance (WS17)**

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

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

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

Figure 5.17: WS17 Activity Status

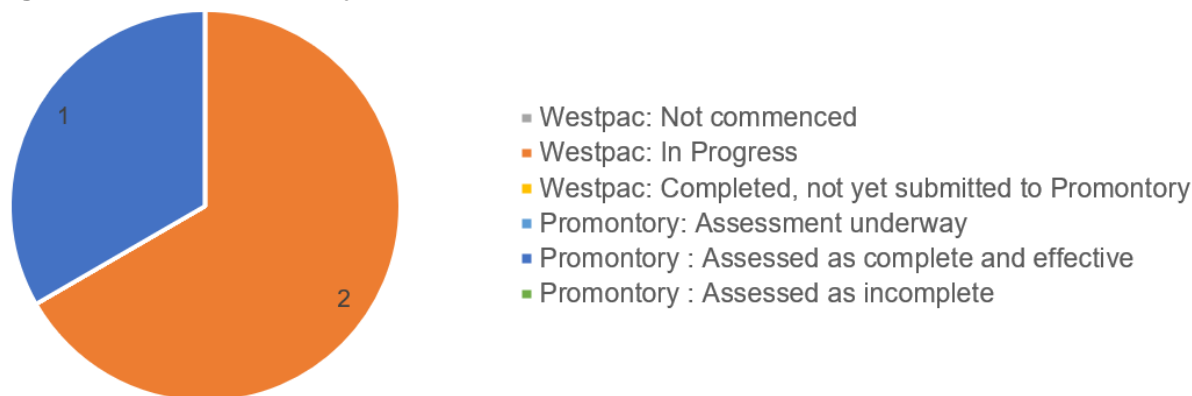


Table 5.18: WS17 Deliverable Progress

#	Deliverable	Closed Activities	Total Activities
17.1	Credit Risk governance	1	3
<b>Total</b>		1	3

### Assessment of Deliverable 17.1

Deliverable 17.1 requires a review and enhancement as required of the Credit Risk Framework and practices. Particular focus is placed on controls for compliance with prudential standards and reporting standards, external reporting, and alignment with the RMF and 3LOD model.

#### Activity 17.1.1

Design Activity 17.1.1 requires:

- a review of the Credit Risk Management Framework (**CRMF**) against the RMF and 3LOD model and against credit risk-related prudential standards (APS220, 221, 112, 113, 180, 120, and CPS226);
- a review of the adequacy of relevant compliance plans and controls over credit risk-related prudential standards and returns, including the oversight and scrutiny of roles and responsibilities in relation to APRA returns;
- the identification of CDEs for credit risk-related prudential standards and returns;
- the identification of prudential obligations for credit risk-related prudential standards for upload in JUNO;
- the design and updating of key credit risk governance documents required under revised APS 220 Credit Risk Management; and

- the design of improved process to identify, capture, approve, monitor and report credit risk policy exceptions against agreed tolerance thresholds (where applicable).

In relation to the CRMF, Westpac used consulting firms to perform a full review of Westpac's credit risk approach, including benchmarking against domestic peers, and performed a gap analysis against the draft revised APS 220 Credit Risk Management Standard. A specific project team was established to re-draft the credit risk frameworks and policies. The project team took into consideration the RMF and 3LOD operating model. Working groups were established bringing together Policy SMEs and representation from both the first- and second-line Credit. The process led to a revised CRMF, Credit Risk Management Strategy (**CRMS**) and Credit Risk Appetite Statement (**CRAS**).

The credit risk obligations were captured as part of work led by WS8, in line with the Obligations Library Policy, and uploaded into JUNO. A consulting firm was used to review the completeness and mapping of the Obligations Library. The finalised obligations and mappings were approved by the Westpac standard owners and or delegates. The Regulatory Reporting Uplift Program was established to uplift Westpac's Regulatory Reporting framework with sign-off obtained by the Return Owners.

In relation to CDEs, Westpac established and used the Credit Risk Data Domain Critical Data Element Identification Methodology, in line with Westpac's Data Risk Management standards, to identify and agreed a list of CDEs that support credit risk activities. The process included reviewing data elements based on their consumption or production across a wide range of stakeholders in related processes and then assessing each data element for criticality.

A review of the current policy exception processes for credit risk was completed (including control design and escalation processes) by a consulting firm. The Workstream worked with SMEs in each of the credit LoBs to baseline their existing Credit Policy exception processes.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the actions taken to address gaps identified in the CRMF and prudential obligations reviews, understanding the management of Interdependencies across different streams of work, and assessment of capabilities across the group to effectively implement the policy exception requirements.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that Westpac had taken appropriate steps to review the CRMF, the adequacy of credit risk obligations, and the controls and oversight of APRA returns. Westpac had also identified relevant CDEs and reviewed its policy exception process.

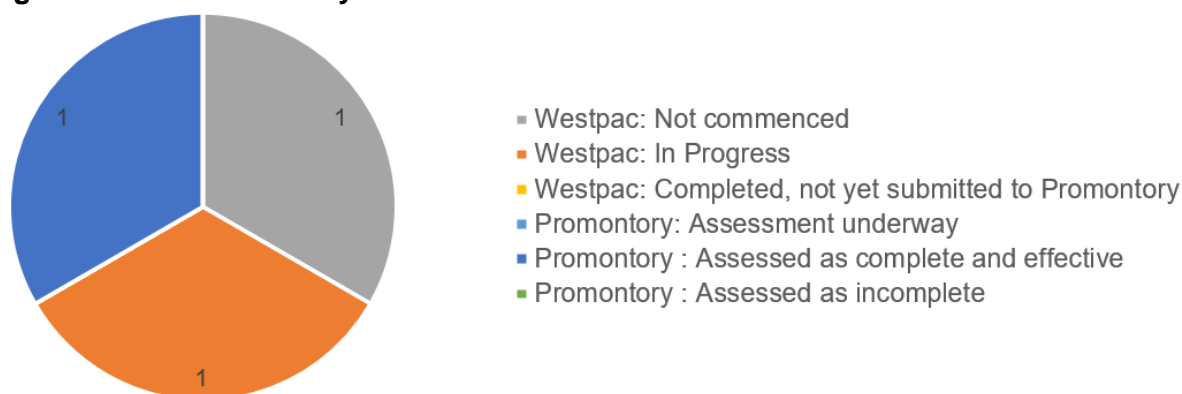
### **5.9.2. Workstream 18 – Market Risk Governance (WS18)**

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

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

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

**Figure 5.18: WS18 Activity Status**



**Table 5.19: WS18 Deliverable Progress**

#	Deliverable	Closed Activities	Total Activities
18.1	Market Risk governance	1	3
	<b>Total</b>	<b>1</b>	<b>3</b>

### Assessment of Deliverable 18.1

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

#### Activity 18.1.1

Design Activity 18.1.1 requires:

- a review of the Market Risk Management Framework (**MRMF**) against the RMF and 3LOD model and against market risk-related prudential standards (APS 116 and APS 117);
- a review of the adequacy of relevant compliance plans and controls over market risk-related prudential standards and returns, including the oversight and scrutiny of roles and responsibilities in relation to APRA returns;
- the identification of CDEs for market risk-related prudential standards and returns;

- the identification of prudential obligations for market risk-related prudential standards for upload in JUNO; and
- the design of improved process to identify, capture, approve, monitor and report market risk policy exceptions against agreed tolerance thresholds (where applicable).

In relation to the MRMF, a review of the Market Risk Management Framework (**MRMF**), RMF and Risk Management Strategy (**RMS**), together with other frameworks, policies, and reports was performed to confirm alignment and effectiveness. The accountabilities as documented within the MRMF were reviewed against the 3LOD operating model. The MRMF was also reviewed against APS 116 and APS 117 obligations considered relevant to governance and framework compliance. The findings and recommendations were reviewed and approved by the Prudential Standard Owners for APS 116 and APS 117 and the Workstream Steering Committee.

In relation to prudential obligations, compliance plans and controls, several reviews were conducted on the completeness of obligations and controls taking into account market risk related prudential standards and practice guides. A review was also completed on the market risk related regulatory reporting processes and control framework. The reviews resulted in several findings in relation to obligations, controls, processes and compliance plans.

In relation to CDEs, Westpac identified and agreed a list of CDEs that support market risk activities, in line with Westpac's data risk management standards. The process included reviewing data elements based on their consumption or production in related processes and then assessing each data element for criticality.

A review of the current policy exception processes for Market Risk was completed (including control design and escalation processes). The review resulted in various observations on Westpac's process and resulted in a recommendation to implement a Policy Exception Management Framework.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding relevant updates to the MRMF, RMF and 3LOD Model, the review of obligations against internal obligation related policies, details of the methodology applied to identify CDEs, and the design of the policy exception framework.

Based on our assessment of the Activity Closure Pack, the additional documentation we received, we concluded that Westpac had taken appropriate steps to review the MRMF, the adequacy of market risk obligations and controls, and the oversight of APRA returns. Westpac had also identified relevant CDEs and reviewed its policy exception process.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 18.1, we will consider the status and resolution of all issues raised throughout the various reviews completed, the onboarding of the identified market risk CDEs, the approach to recording and documenting regulatory interpretations or assumptions, and the implementation of the policy exceptions process.

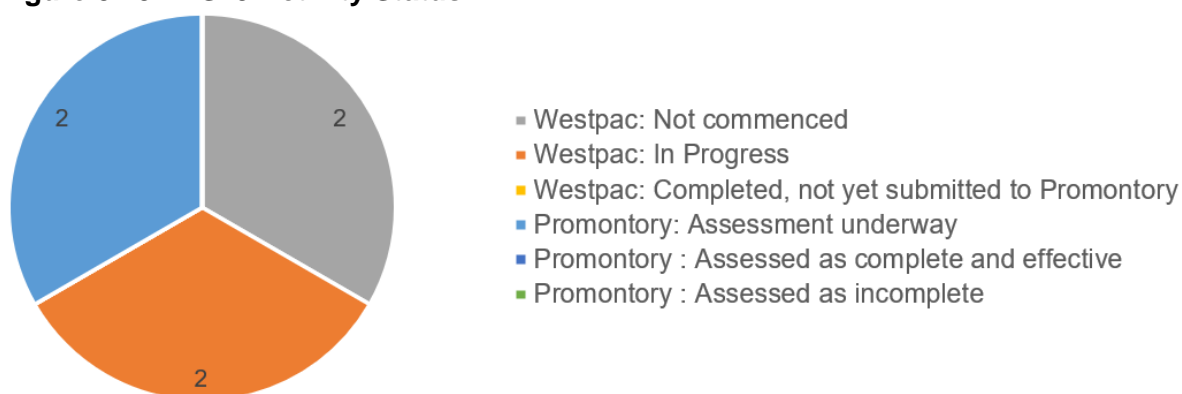
### 5.9.3. Workstream 19 – Liquidity and Capital Adequacy Risk Governance (WS19)

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

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

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

**Figure 5.19: WS19 Activity Status**



**Table 5.20: WS19 Deliverables Progress**

#	Deliverable	Closed Activities	Total Activities
19.1	Liquidity Risk governance	0	3
19.2	Capital Adequacy Risk governance	0	3
<b>Total</b>		0	6



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