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

Prepared by Promontory Australia, a business unit of IBM Consulting

Twelfth Report

30 April 2024

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 twelfth 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 twelfth 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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Contents

Abbreviations & Definitions

Abbreviation	Definition
3LoD	Three Lines of Defence
Activity	Each Deliverable in the Integrated Plan is comprised of a number of Activities, classified as either a 'Design', 'Implement' or 'Embed' Activity
APRA	The Australian Prudential Regulation Authority
APS 210	APRA Prudential Standard for authorised deposit taking institutions regarding liquidity risk management practices
APS 220	APRA Prudential Standard for authorised deposit taking institutions regarding framework for credit risk management
BAU	Business As Usual
BCM	Business Controls and Monitoring
BLRCC	Board Legal, Regulatory and Compliance Committee
BRemC	Board Remuneration Committee
BRiskC	Board Risk Committee
CDE	Critical Data Elements
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
CRO	Chief Risk Officer
CTO	Chief Transformation Officer
dCRO	Divisional Chief Risk Officer
Deficiencies	Westpac's risk governance shortcomings as set out in the Deficiencies Register

Abbreviation	Definition
Deliverable	A group of Activities that is part of a Workstream.
Deliverable Target State	Describes the outcomes to be achieved by completing a Deliverable
Divisions	The business units within the Westpac Group
Eleventh Report	Promontory's eleventh report on the Independent Review of Westpac's Integrated Plan, dated 30 October 2023
EU	Enforceable Undertaking
GE	Group Executive
GEM	Great Employee Moments, Westpac's recognition platform
GM	General Manager
Integrated Plan or the Plan	The plan Westpac has established to address APRA's concerns and to uplift Westpac's risk governance
JUNO	Westpac's integrated risk and compliance management system
Line 1	Westpac's First Line of Defence, the front line and operational Divisions
Line 2	Westpac's Second Line of Defence, the Risk function
Line 3	Westpac's Third Line of Defence, the Internal Audit function
LoB	Line of Business
Motivate	Platform used to manage staff performance and development
Outcome Measures	Outcome Measures are defined at the level of the Program and are used to assess progress towards achievement of the overall objectives of the Program
PIR	Post Implementation Review
Program Deliverable Metrics	A set of Deliverable-level metrics in the Integrated Plan used to consider progress against the Target State for CORE Program Deliverables, across the period of the Integrated Plan.
Program Target States	A set of five aspirational risk governance objectives of the CORE Program
Promontory	Promontory Australia, a business unit of IBM Consulting
QBR	Quarterly Business Review
RAID	Risks, Assumptions, Issues and Dependencies

Abbreviation	Definition
RAS	Risk Appetite Statement
RCSA	Risk Culture Maturity Self-Assessment
RiC	Risk in Change
RMF	Risk Management Framework
Reporting Date	30 April 2024
Reporting Period	This Report covers the period from 1 October 2023 to 30 April 2024
Root Causes	The five root causes identified by Westpac as contributing to its non-financial risk shortcomings
SIP	Strategic Insights Platform
Six-Monthly Review or 6MR	Semi-annual review of the impact, effectiveness and sustainability of the CORE Program by Westpac
SteerCo	The Westpac executive-level Steering Committee for the CORE Program
Transition Period	A set period following the completion of the Program to check and monitor the sustainability and effectiveness of practices delivered through the Program, ensure their consistent application and further mature key components of Westpac's risk management framework.
Westpac or the Bank	Westpac Banking Corporation
WIB	Westpac Institutional Bank
Workstream	An area of work 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 Banking Corporation pledged to remediate weaknesses in its culture, governance and accountability, and to address the root causes of those weaknesses.

In March 2021, in accordance with the enforceable undertaking, Westpac established a comprehensive remediation plan. The plan was executed through a multi-year transformation program referred to as the Customer Outcomes and Risk Excellence Program (CORE or Program) that consisted of 19 Workstreams, comprising 83 Deliverables and 354 Activities. The Program sought to address five Root Causes of Westpac's risk governance deficiencies, and in doing so, work towards five corresponding Program Target States.

Promontory was appointed to provide independent review over Westpac's execution of the Program.

This is our twelfth and final report under our engagement. We describe the outcomes achieved by Westpac through CORE and reflect upon the significant changes the Program has delivered to improve the Bank's risk governance. We also identify key themes for Westpac to consider in the future.

Program Outcomes

Westpac has delivered all Activities under the Program and within the ambitious timeframes it committed to. All Activities and Deliverables have been assessed and closed by Promontory.

Completing CORE is a major achievement for Westpac. The Program is one of the broadest and most ambitious risk transformation programs of its type, and required significant commitment, resources, and engagement from all parts of the Bank. Additionally, the commencement of the Program, and its early phases, took place in the context of the ongoing disruption caused by the COVID-19 Pandemic. For an organisation that had acknowledged weaknesses in the execution and delivery of major programs, concluding CORE is an important accomplishment.

As a result of the work undertaken through CORE, Westpac's risk governance has been substantially improved. The depth of change to the organisation, both structurally and culturally, means that Westpac is now a simpler, stronger bank.

In completing CORE, Westpac has made substantial progress towards achieving the Program Target States and in doing so has helped to remedy the root causes of its risk management deficiencies. We note the following key outcomes, by reference to the Target States:

- **A well run business where risk is actively managed**: processes, frameworks and structures that contribute to a 'risk aware' culture are greatly improved, and risks are better identified, recorded and managed. These foundations are helping Westpac shift closer

towards its goal of a 'proactive' approach to risk management. Risk culture and desired behaviours are consistent features of Board and Executive Committee discussions and a focus of Divisional priorities.

- **A simplified organisational construct with clear accountabilities**: Westpac now operates under a Line of Business construct with streamlined and clarified accountability structures. The Bank's practices for managing, governing and reporting on risks have been aligned to the Lines of Business construct, helping to clarify the risk and control environment, reduce the Bank's inherent risk profile and drive greater transparency in risk reporting.

- **Three Lines of Defence (3LoD) is understood and embedded**: roles and responsibilities across the 3LoD have been clarified and are reinforced through formalised risk infrastructure. The principles of Line 1 risk ownership and Line 2 challenge have been strengthened through the transfer of responsibilities in accordance with the 3LoD model, with dedicated Business Controls and Monitoring teams helping to drive uplift and consistency in Line 1 risk practices.

- **Our people understand risks and proactively manage them**: Westpac's risk capability across people, processes and systems has greatly improved. From a people perspective, foundations for assessing and uplifting risk management capacity and capability have been implemented, with further work planned. Risk management processes align with industry better practice and Westpac's risk systems and reporting tools provide more consistent, timely and accurate information to support decision making.

- **We are known for execution excellence and getting it done**: Westpac has completed CORE, an ambitious Program that required unwavering focus on program management and strong support from the Board and Executive. This is perhaps the greatest marker of Westpac's progress towards this Target State. Additionally, CORE has delivered a more robust and transparent approach to managing and prioritising initiatives across the transformation portfolio in alignment with the Bank's strategic objectives and risk appetite.

In all five of these areas Westpac has made considerable progress. Collectively, the efforts against the Target States represent a major transformation of the Bank's risk governance.

While all Activities under CORE have been completed and the Program is closed, given the Program's breadth and complexity, it should not be surprising that there was variation in the quality of delivery across the 19 Workstreams. Westpac now has a solid foundation to continuously improve and to drive sustainable outcomes. In a few specific cases, notably risk culture and the assessment of risk capability, further work will be required to demonstrate the full effectiveness of outcomes.

The Path Forward

CORE has materially uplifted Westpac's approach to culture, governance and accountability. The challenge now is for Westpac to maintain momentum and ensure that the outcomes of

the Program continue operating effectively, sustainably and in an interconnected manner. To this end, Westpac should not see the end of CORE as its final destination, but a foundation to build upon.

Westpac has acknowledged the importance of ongoing uplift and committed to a Transition Period throughout 2024. The Transition Period will consist of several 'focus areas' identified by Westpac as candidates for immediate maturation and which in large part reflect the more complex areas of CORE where further uplift is required. There will also be a process to validate and monitor the broader uplifts achieved through CORE to ensure that they are sustained and effective in Westpac's Business as Usual operating environment.

Over the past three years, improvements to Westpac's risk governance have been supported by the robust 'scaffolding' of the CORE Program. With its removal and Westpac's progression into a Business as Usual operating rhythm, Westpac will face new challenges. Ensuring that what has been delivered will 'stick and stay' is key. As part of the Transition, Westpac should look to meet these challenges by:

- Ensuring each of the focus areas has clear objectives and comprise only activities that will 'shift the dial' and make meaningful progress towards the Target States.

- Continuing to prioritise ongoing uplifts to risk governance while other change programs are underway. This will reinforce the Bank's commitment to delivering good risk outcomes.

- Driving consistent risk practices and outcomes across the Bank and continuing to build on the capacity and capability of its people across business and risk functions.

Concluding Observations

The dynamic nature of risks in the current environment means that to remain the same is to fall behind. It is important to maintain a mindset of continuous improvement to ensure that risk governance practices do not lag. In this light, we note four key themes that will help Westpac to mature the positive uplifts achieved through CORE:

- ***Leadership***: with the completion of CORE, there is an opportunity for Westpac's Board and Executive to renew their commitment to improving culture, governance and accountability practices. Leaders should also remain alert to the risk that legacy cultural traits re-emerge, such as a 'good news' bias in reporting and discussions.

- ***Continuous improvement***: with a strong foundation established, Westpac can look to refine and simplify risk practices, consistent with achieving better outcomes for customers, including active consideration of better practices from across the industry.

- ***Risk is everyone's business***: CORE has clarified that risk management forms part of everyone's role. Continuing to invest in individual capability will further encourage curiosity and foster confidence to constructively challenge and engage with risk. These are key factors in further embedding desired behaviours and outcomes.

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- ***Maintaining the 'Why'***: as new priorities emerge, continuing to demonstrate how the Program's outcomes are driving tangible improvements for the Bank's customers and its people will help to ingrain the lessons from CORE within Westpac's 'DNA'.

Completing CORE is a major achievement for Westpac, and the Bank is now well positioned to address future risks and challenges. Having spent much of the last few years focused on risk remediation, it is now time for Westpac to build on the work of CORE, to 'look up and out', and to focus more strategically on the practices and behaviours that will drive better risk and customer outcomes.

1. Introduction

1.1. Preface

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 remediate weaknesses in its culture, governance and accountability, and to address the root causes of those weaknesses.

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. The Integrated Plan covers both financial and non-financial risk governance deficiencies. Westpac has delivered the Plan through its Customer Excellence and Risk Outcomes (**CORE**) Program and as of 31 December 2023, the Plan is complete.

Westpac appointed Promontory to provide external independent review over the design and implementation of the Integrated Plan. Commencing from the date of the EU, Promontory, in its capacity as Independent Reviewer, has been required to report to APRA at the end of each quarter on:

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

Since 5 March 2021, Promontory has delivered eleven quarterly independent review reports[1]. This is Promontory's twelfth and final Report (**Twelfth Report** or **Report**) on Westpac's response to the EU.

Our previous reports described the status of the Program as at the end of each quarter. As all Deliverables and Workstreams have now been closed, this Report constitutes our final report under CORE and, as such, considers the Program holistically. The Report describes the outcomes Westpac has achieved to date and provides reflections on where the organisation should direct its focus as it continues its journey to strengthen culture, governance and accountability.

Additionally, this Report includes our assessment of the Deliverables and Workstreams that were closed in the period since our Eleventh Report from 1 October 2023 to 30 April 2024 (**Reporting Period**). The status of the Program is reported as at 30 April 2024 (**Reporting Date**).

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[1] Promontory did not deliver a report following the December 2023 quarter as the CORE Program was scheduled to conclude at that time. Our quarterly report was held over until all Activities and Deliverables were submitted by Westpac for our assessment in 2024, enabling us to report on the effectiveness of the Program as a whole.

1.2. Report Structure

The remainder of this Report is structured as follows:

- **Chapter 2** provides background to the EU and details the root causes of Westpac's risk governance shortcomings and how they informed the development of the Integrated Plan.

- **Chapter 3** sets out Westpac's approach to delivering the CORE program.

- **Chapter 4** sets out Promontory's approach to providing independent review over the CORE Program.

- **Chapter 5** summarises the key outcomes delivered under the Program, utilising Westpac's thematic groupings of CORE Workstreams.

- **Chapter 6** reflects on the outcomes of the Program with respect to the five Target States and their associated Root Causes.

- **Chapter 7** describes Westpac's Transition Plan and key learnings going forward.

As noted in our Eleventh Report, there were a number of Activities and Deliverables that were scheduled to conclude in December 2023. The Closure Packs for all of these Activities and Deliverables were since delivered to Promontory for our assessment. A summary of our assessments is set out in Appendix B.

2. Development of the CORE Program

2.1. The Enforceable Undertaking

In 2018, APRA asked the boards of each of Australia's major financial institutions, including Westpac, to assess their organisations' culture, governance and accountability (**CGA**) frameworks and practices in light of issues identified by APRA's Prudential Inquiry into the Commonwealth Bank of Australia earlier that year. Westpac's 2018 Self-Assessment (**2018 Self-Assessment**) identified 45 recommendations for improvement, principally focused on the Bank's management of non-financial risk (**NFR**). A remediation plan was submitted to APRA in November 2018 and the CGA Program was established by Westpac to deliver the plan in January 2019.

On 20 November 2019, the Australian Transaction Reports and Analysis Centre (**AUSTRAC**) commenced an action in the Federal Court of Australia against Westpac for failing to meet certain obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (**AML/CFT Act**)[2]. Following AUSTRAC's action, APRA required Westpac to undertake a reassessment of its 2018 Self-Assessment to determine whether it was still fit for purpose (**CGA Reassessment**), noting that AUSTRAC's action pointed to fundamental deficiencies in Westpac's risk management. Promontory was engaged to provide independent review over the CGA Reassessment.

Westpac completed its CGA Reassessment in June 2020. In its report, Westpac recognised that important aspects of its NFR culture were immature and reactive. The Bank acknowledged that whilst changes had been implemented since the 2018 Self-Assessment, these had been 'incremental', and that 'a program of deeper change'[3] was required. Westpac's remediation efforts therefore needed to be refocused, extended and supported by more rigorous prioritisation, coordination and oversight.

The conclusions from the CGA Reassessment formed the basis of a reset in Westpac's CGA Program and resulted in the establishment of the Customer Outcomes and Risk Excellence Program (**original CORE Program**).

Regulatory concerns remained, and on 3 December 2020 APRA agreed to an EU from Westpac that pledged to substantially lift the organisation's efforts to address its risk governance deficiencies.[4] APRA's key concerns arose from the findings of its own risk governance review of Westpac which had commenced in December 2019 in response to the AUSTRAC allegations.

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[2] Chief Executive Officer of the Australian Transaction Reports and Analysis Centre v Westpac Banking Corporation ACN 007 457 141, 20 November 2019.
[3] See the 'Governance, Accountability and Culture Self-Assessment' (2018) and the 'Reassessment of the Culture, Governance and Accountability Remediation Plan' (2020) available at Westpac.com.au
[4] See APRA media release of 3 December 2020, "APRA agrees to Enforceable Undertaking from Westpac to address risk governance weaknesses", available at www.apra.gov.au.

Following Westpac's CGA Reassessment, APRA concluded that:

- Westpac's original CORE Program had not been sufficiently far-reaching and lacked the key features integral to effectively addressing wide-ranging risk governance gaps;

- the complexity and breadth of Westpac's existing remediation agenda carried high execution risks;

- new and significant risk governance issues had emerged, including breaches of APRA's liquidity standard, announced by APRA and Westpac on 1 December 2020;

- long-standing weaknesses remained unaddressed and had contributed to new prudential issues;

- Westpac had not actively managed the interdependencies between the original CORE Program and other overlapping remediation activities; and

- a key root cause of Westpac's risk governance issues was weak execution.

As a result, the EU required Westpac to:

- develop an Integrated Plan that incorporated all of its major risk governance remediation programs, covering governance of both financial and non-financial risk;

- establish appropriate governance arrangements to oversee and manage implementation of the Integrated Plan;

- appoint an Independent Reviewer of the implementation of the Integrated Plan with direct reporting to APRA; and

- assign accountabilities for the delivery of the Integrated Plan to relevant Accountable Persons and incorporate successful delivery into remuneration outcomes.

Under the EU, Westpac established the Integrated Plan to address APRA's concerns and to uplift its risk governance. To meet the terms of the EU, the Plan built upon and substantially expanded Westpac's original CORE Program. Key changes brought about through the Integrated Plan were:

- expansion of the CORE Program to cover not only NFR governance, but also aspects of financial risk governance;

- extension over a longer time period, to better allow for the effective implementation and embedding of changes and outcomes in the Bank; and

- development of appropriate governance and accountability arrangements to better deal with concerns around the management of interdependencies and execution risk.

All customer facing businesses and functions within Westpac's Australian businesses were in scope[5].

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[5] Not in scope were Westpac's offshore operations, whilst some limited aspects of Westpac New Zealand Limited (**WNZL**) were in scope.

It is important to acknowledge the significance of the expanded scope of the Plan, the breadth of which spanned nearly all aspects of the Bank's operations. This represented a significant commitment, not only to meet regulatory concerns under the EU but to give effect to the deeper level of change Westpac had acknowledged it required compared to previous efforts. In effect, the Plan represented one of the most extensive and ambitious risk remediation programs undertaken in Australia, and the inclusion of substantial elements of financial risk management meant that it was broader than comparable programs in other banks and financial institutions.

Promontory was appointed to provide external independent review over the design and implementation of the Integrated Plan.

2.2. The Five Root Causes

In developing the original CORE Program, Westpac identified five root causes of its non-financial risk shortcomings (**Root Causes**). With the need to drive wholesale improvement in risk governance as described in the EU, Westpac undertook a process to reconsider these Root Causes, to ensure that they adequately captured the causes contributing not only to NFR governance deficiencies but also to financial risk governance shortcomings.

The five Root Causes were subsequently approved by the Board and Executive and became the pillars against which the Integrated Plan was developed.

The Root Causes are listed below, with further context for each provided in Appendix A:

- an immature and reactive risk culture;

- organisational construct that creates complexity;

- a three lines of defence model that is not well understood or embedded;

- a shortfall in risk management capacity and capability; and

- challenges in execution and 'staying the course'.

In developing the Integrated Plan, and with the Root Causes as key pillars, Westpac established a set of corresponding risk governance target states (**Program Target States**). As outlined further in the Report, these became the overarching aspirational objectives for the Bank to unite behind as it sought to address its risk governance deficiencies.

In the context of the five root causes, the following Program Target States were developed by Westpac:

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

- 'a simplified organisational construct with clear accountabilities';

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

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

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

2.3. The Integrated Plan

Westpac was required to submit a plan to APRA within 90 days from the commencement of the EU and significant resources were committed at the outset. With the Root Causes and the Program Target States articulated, Westpac adopted a structured approach to determine the content of the Integrated Plan. The Bank considered all of the risk governance deficiencies previously identified, including through the 2018 Self-Assessment, the CGA Reassessment, AUSTRAC matters, a number of APRA Prudential Reviews, and other regulatory reviews.

From the planning stage it was evident that CORE had focus and momentum. There was active engagement with the Board and Senior Executives throughout the Plan's development, and the Bank demonstrated responsiveness to challenges raised by Promontory.

Reflecting on the identified deficiencies, and to address the concerns outlined in the EU, Westpac expanded the scope of the original CORE program to:

- address risk governance in credit risk, market risk, liquidity and capital adequacy risk, technology risk and data risk governance; and

- incorporate work and activities previously being undertaken outside the original CORE program, such as culture, capability, organisational design and obligations management.

In addition, Westpac extended the scope of the original CORE program to incorporate two major areas within the Integrated Plan that went beyond direct risk governance matters but had significant impact on overall risk management:

- the JUNO system, which is Westpac's integrated risk and compliance management system; and

- data "Pillar 2", being the pillar of work to implement the Bank's data management operating system.

As a result, the Integrated Plan was expanded from 14 areas of work in the original CORE Program, to 19 areas of work (**Workstreams**). The 19 Workstreams were categorised into eight themes (**Themes**), as shown in Table 2.1 below.[6]

Table 2.1: Themes and Workstreams

Theme	Workstream
Board Governance	WS1 - Board Risk Governance
Culture and Capability	WS2 - Executive Culture & Capability

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

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

Several components were then developed for each Workstream:

- Workstreams were decomposed into one or more deliverables (**Deliverables**);

- each Deliverable was decomposed into a series of activities (**Activities**);

- relevant actions to complete each Activity were defined (**Closure Criteria**);

- expectations on how the organisation should operate after each Deliverable has been completed were defined (**Deliverable Target State**);

- objectives and outcome measures that describe the Deliverable Target States and how they address the Root Causes were developed;

- executive accountability was assigned for the execution of each Workstream; and

- Westpac's risk governance shortcomings, as set out in Westpac's Deficiencies Register (**Deficiencies**), were mapped to relevant Deliverables and required to be addressed, either in whole or in part once each Deliverable Target State had been achieved.

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Each Activity was classified as either:

- a Design Activity, which involved work to define an approach to address the associated Deficiencies;

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

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

3. Delivery of the CORE Program

As noted, Westpac established the CORE Program to develop and execute the Integrated Plan.

In this Chapter we outline the key aspects of the Program, its oversight, management and delivery.

3.1. Accountabilities

Establishing appropriate accountabilities was a focus for Westpac during the planning phase. Under the EU, Westpac was required to specify the Accountable and Responsible persons for the various risk and remediation activities under the Plan.

Accountabilities were clarified and enhanced at both the Board and Executive levels by incorporating these accountabilities into Westpac's Banking Executive Accountability Regime (**BEAR**) Accountability Statements.

Accountabilities at the Executive level were assigned on the following basis:

- Chief Executive Officer (**CEO**): accountable for risk governance and effective delivery of the CORE Integrated Plan.

- Chief Transformation Officer (**CTO**): the executive sponsor of the CORE Program (**CORE Sponsor**), accountable for leading the Program.[7]

- Group Executives (**GEs**) were accountable for:

  ○ Workstream delivery and design of any specific Workstreams for which they were the sponsor; and

  ○ implementation and embedment of Activities under the Plan within their respective Division, where applicable.

At the General Manager (**GM**) level, GMs across the Group were responsible for supporting the GEs with delivery, and their Statements of Accountability (**SOAs**) were updated to reflect these responsibilities.

At a Program level, the GM, CORE (reporting to the CTO) has played a critical role in managing the central team (**CORE Team**) and has held responsibility for the execution of CORE as well as providing ongoing challenge, oversight and leadership at the Group level.

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[7] Accountability for sponsorship of the CORE Program transitioned to the CTO in April 2022. Initially the role of Program Sponsor was fulfilled by the GE, Financial Crime, Compliance, Conduct.

The fundamental principle underpinning the assignment of accountabilities for the Integrated Plan was that delivery should align with BAU responsibilities. This principle also served to better embed accountabilities within Line 1.

3.2. Program Governance and Oversight

<u>Oversight Committees</u>

The EU required the establishment of appropriate governance arrangements to oversee and manage implementation of the Integrated Plan and its sustainable integration of outcomes into Westpac's ongoing risk governance.

The Board Risk Committee (**BRiskC**) was assigned responsibility for Board-level oversight of over the Program. This represented a change in governance arrangements compared to the original CORE Program, where oversight responsibility lay with the Board Legal, Regulatory and Compliance Committee (**BLRCC**), being a sub-committee of the BRiskC. This change in oversight reflected the broader risk governance implications of the Plan, which better aligned with the Charter of the BRiskC. Additionally, regular 'Director Touchpoint' sessions were established to promote engagement and transparency between individual Directors and particular Workstreams and/or Divisions (refer below).

The Executive Steering Committee (**SteerCo**) was established as the primary executive level governance body with decision-making authority over the CORE Program. The role of the SteerCo was to provide oversight, challenge and expertise to the execution of the Program. The committee convened monthly, and its members comprised the CEO and all GEs.[8] The GM of Group Audit also had a standing invitation to the forum. The SteerCo had decision making authority over matters materially impacting the implementation of the Program, such as approval of material changes to the Plan, endorsing 'Package' launches (refer below), clearing 'roadblocks' and developing long-term solutions, considering critical risks, and escalating risks and issues to the BRiskC.

The CORE GM Governance Forum was established as the primary challenge and oversight committee focused on Program execution. The forum tracked progress, evaluated delivery across Workstreams, managed risks and dependencies, and escalated risks and issues to the SteerCo for decisioning where required. Participants included the GE, CORE Sponsor, GM, CORE, CRO Group Functions and Services, Group Audit, CORE Communications Director and Head of Packages.

<u>Director Touchpoints</u>

Throughout the Program, Westpac conducted regular Director Touchpoints. These sessions typically involved two Non-Executive Directors allocated to a particular Division engaging

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[8] With the formal closure of CORE from 31 December 2023, responsibility for ongoing governance at the executive management level for the closure of Plan and execution of Transition through 2024 and beyond has reverted to the Group Executives Risk Committee. See Chapter 7 for Promontory's observations about areas of future focus.

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directly with specific Workstreams, the Accountable General Executive (**GE**) and other attendees nominated by the GE. The Touchpoints were not a substitute for formal Board oversight. Rather, they facilitated more in-depth discussion between Directors and management and provided clarity around challenges and progress across different Divisions. Broadly, the Touchpoints provided an opportunity for Directors to constructively challenge and discuss CORE's progress, risks and emerging themes.

Over the course of the Program, the focus of the Director Touchpoints evolved. Initially, the discussions centred on progress of the Program through a Workstream lens. As the Program shifted away from the centralised design phase, the focus moved toward the Divisions, their progress on implementation and how changes translated to tangible outcomes. By the end of the Program, focus was primarily placed on the effectiveness of outcomes in addressing the root causes, the sustainability of Program outcomes, and continuous improvement.

Line 2 Program Oversight

Line 2 oversight was provided at various levels throughout the duration of the Program. At the Program level, the Chief Risk Officer (**CRO**), Group Functions and Services Risk Team was tasked with providing Line 2 oversight of the CORE Program holistically. At the Workstream level, risk leads were responsible for reviewing and challenging the Workstreams on their execution. At the Divisional level, the Divisional CROs (**dCROs**) provided ongoing Divisional implementation and embedment oversight for their Divisions. Additionally, Line 2 was a key attendee at Program governance forums.

Line 2 Program oversight focused on different areas according to the relevant stage of the Program. During the preliminary stages of the Design phase, Line 2 oversight focused on engagement between CORE, Workstream and Divisional Line 2 teams, ensuring consistency of oversight and clarity of roles and responsibilities. As the Program progressed, increasing emphasis was placed on consistency in risk decision making and adherence to Group Policies and Standards. Part of the role of Line 2 was to improve consistency of implementation through proactive challenge across Workstreams and Divisions to heighten focus on delivered risks.

Group Audit Program Oversight

Westpac's Internal Audit function (**Audit**) provided an additional layer of assurance over the Program. In addition to Audit's regular cycle of planned audits, the Audit team conducted targeted audits focusing on key delivery risk controls of CORE throughout the term of the Program and provided ongoing review and challenge as a participant in key governance forums.

Audit played a key role in identifying trends in the quality and consistency of Activity implementation across Westpac's operating environment. As examples, Audit made observations in relation to issue and incident management, value chain management, the control environment, risk culture, and capability and capacity across Line 1 and Line 2.

Audit's findings and observations were a key mechanism in assisting the organisation to better understand the end-to-end connectedness and operationalisation of the Integrated Plan. This in turn helped to drive management accountability.

3.3. Program Management

The CORE Central Team

As noted above in Section 3.1, the GM, CORE led the CORE Central Team. Throughout the course of the Program, the team managed the Integrated Plan from an operational perspective and oversaw key aspects of CORE, including:

- Management: control of the Integrated Plan, overseeing reporting and status of Activities and milestones, and creation and maintenance of Program materials.

- Change Control: managing the change control register to support structured governance over Program changes.

- CORE Package delivery: oversight and coordination of the delivery of Activities through the quarterly 'Package' mechanism.

- Workstream Lead support: working closely with CORE Portfolio Leads, acting as key advisors to the GM Workstream Owners and providing ongoing monitoring of progress.

- Communication: engagement with the Group Communications team to ensure integration of the Program within the broader Westpac communication strategy.

At the Workstream level, individual Workstream GM Owners worked with respective GE Workstream Sponsors to manage the delivery of specific Workstream outcomes and partnered with the CORE Team to manage integrated delivery of the Program.

Managing Dependencies

As noted in Chapter 2, APRA had concerns around Westpac's ability to effectively manage interdependencies between its various ongoing remediation projects. To address this, Westpac established a process for managing dependencies during the development of the Integrated Plan. These consisted of two forms:

- Interdependencies: interlinkages across different Workstreams (identified for Deliverables and Activities) within the Integrated Plan; and

- Program dependencies: linkages between the Integrated Plan and other programs of work outside the EU.

   (hereafter, **Dependencies**)

Details of Dependencies were captured in Dependencies registers and governance mechanisms for tracking, managing and overseeing formal closure of all Dependencies were established.

<u>Status Reporting</u>

Status Reporting was a key mechanism in supporting the Program's governance forums, including the SteerCo and CORE GM Governance Forum, with coordinated and consistent information across the breadth of the Plan. Regular reporting covered implementation progress and tracking against milestones, workstream risks, issues and challenges, Dependency management, resourcing, and financial performance. Additionally, broader program risks and matters were reported where these could impact the Program.

The Program used Red, Amber, Green health status reporting to identify areas of risk and focus. Over the course of the Program, we observed Westpac's maturity and approach to status reporting improve. Specifically, instances of overly positive reporting became less frequent and transparency around issues, risks and challenges became more consistent. This helped ensure that the SteerCo was able to provide timely oversight and guidance on areas that required focus and appropriate actions.

In addition to the Program's health status, Westpac reported on Program outcomes across the Group using the following mechanisms:

- Program Deliverable Metrics: being 182 metrics used to measure performance against the Deliverable Target States within the Integrated Plan;

- CORE Outcome Measures: BAU business performance measures that, in aggregate, provide indicators around whether intended uplifts in risk governance and culture were being achieved.

<u>Six Monthly Reviews</u>

To ensure that the Bank was comprehensively reflecting on its effectiveness in executing the Integrated Plan and sustainably achieving required uplifts in risk governance, Westpac introduced a biannual review of the CORE Program (**Six Monthly Reviews or 6MR**). Over the course of the Program, four 6MRs were completed, with the most recent one held in September 2023.

The 6MRs provided a platform for Westpac to reflect on progress against Workstreams and milestones, as well as the overall connectedness of improvements and delivery against the five Program Target States. Typically, these reviews also resulted in a clearer articulation of what remained to be delivered and helped to set areas of focus for future periods.

3.4. Program Delivery

<u>Package Process</u>

Delivery was rolled out through a tailored change and communications approach known as Packages (**Package**). Package communications occurred at a quarterly cadence and provided staff with a 'roadmap' of upcoming Program Deliverables and associated Divisional

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change requirements. Each Package was approved by the SteerCo following a process of engagement and agreement by Divisional and Workstream representatives.

Given the breadth of change inherent in the Integrated Plan, the Package approach was critical to promoting organisational consistency and supporting Divisions in effectively planning resourcing requirements.

Communications

Group-wide communications remained a vital aspect of effective delivery throughout the life of the Program. From the commencement of the Program, the CEO's public communications were supported by internal Group-wide communications focusing on the importance of CORE and the role that all staff play in achieving the intended outcomes.

It is important to acknowledge that the early stages of the Integrated Plan coincided with the onset of the COVID-19 Pandemic. During this time of significant change and uncertainty, communications played a vital role in ensuring the organisation was able to 'pull in the same direction'. The contribution of Westpac's communications program in reaching and motivating the workforce during the pandemic and initiating a broad process of organisational and culture change should not be undervalued.

The focus and content of Westpac's communications strategy continued to evolve over the course of the Program. Initially, and necessarily, communications largely occurred via email and virtual communications from the Executive. In-person sessions and off-sites occurred more regularly after lockdowns were lifted. Throughout this, communications maintained a meaningful alignment with the Bank's broader strategy and helped to keep staff motivated and maintain momentum throughout the Program.

Examples of key strategic communications initiatives over the course of the Program included:

- CEO communications, CEO Awards and updates on CEO priorities for the coming year.

- Multiple People Leader Days and Forums focusing variously on leadership, managing and leading in risk, risk culture, encouraging proactive behaviours, and Q&A sessions. These campaigns were significant, with some Forums bringing together up to 2,500 leaders across the GM cohort.

- Launch of the new Code of Conduct and the "Should we?" test.

- Group-wide launches of Risk Goals and 'My Risk Accountabilities'.

- A Three Lines of Defence (**3LoD**) Model campaign across risk classes and Divisions.

- 'Great Employee Moments' campaigns to recognise proactive risk behaviours.

- GM Culture days and off-site sessions.

- Multiple 'Navigate' Leadership sessions held for senior leaders across the Group and focusing on important themes at various stages of the Program. Westpac brought

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leaders together to share important messages and lessons so that they could then engage with their own teams in a meaningful and consistent way. Some themes included the importance of sharing lessons learned, reinforcing proactive risk management, encouraging leaders to reflect and act on issues they see in their areas, the importance of 'speaking up', and the 'voice of the customer'.

Material matters process

Westpac developed the 'Material Matters' approach to ensure it actively reflected on risk related issues and challenges that arose while the Program was in flight (such as matters identified during Line 2, Audit and regulatory reviews). The purpose of this approach was to assess whether matters had arisen as a result of additional root causes that needed to be considered and addressed through the Integrated Plan. This reflected Westpac's ongoing commitment to learning from challenges or failures and sharing cross-Divisional learnings.

In the latter stages of the Program, Westpac expanded its approach to include what was referred to as 'Extended Material Matters'. This process aimed to identify whether newly identified risk related issues indicated any potential shortcomings in the uplifts achieved by the Program and to consider whether this impacted Westpac's ability to demonstrate maturity against the Program Target States.

Collectively, these mechanisms illustrate Westpac's evolving approach towards assessing risk events and issues, and its commitment to looking across the organisation rather than reinforcing Divisional siloes. The reviews did not result in any changes to the Integrated Plan but highlighted the utility of regular, critical self-reflection and the importance of working towards a more proactive risk culture. It is this type of ongoing learning and cross-organisational review that Westpac should seek to continue Group wide.

4. Promontory's Role

As noted in Chapter 1, Promontory was appointed to provide independent review over the execution of the CORE Program.

Promontory's role as independent reviewer included:

- monitoring progress with execution of the Integrated Plan;

- assessing the effectiveness of Westpac's execution; and

- delivering quarterly reports.

This Chapter outlines Promontory's independent review approach.

4.1. Monitoring Activities

Promontory's regular monitoring activities, which were aimed at assessing the progress and status of the Program, included:

- Regular meetings with members of the CORE Central Team to manage operational aspects of our engagement and provide insights on the status of our assessments.

- Monthly touchpoints with Group Audit and quarterly meetings with Line 2 representatives to understand the outcomes of their independent assurance work as it pertained to the CORE Program.

- Quarterly meetings with Westpac's Communications team to understand the nature and content of Program-related corporate communications for the preceding quarter and the go-forward communications strategy.

- Regular meetings with Directors and Group Executives to discuss progress of certain aspects of the Program.

- Occasional interviews with Group Executives and staff to obtain insights on Westpac's oversight and management of non-financial risks and to understand how changes delivered under CORE had been embedded within the organisation.

- Contribution to the Six-Monthly Review.

- Observation at Westpac's regular governance and operational meetings as it related to the management of CORE Program and the Activities comprising the Program, including:

    ○ Director Touchpoints;

    ○ monthly SteerCo meetings and CORE GM Governance Forums;

    ○ Board and Board Committee meetings including the Board Audit Committee and BRiskC;

○ Group Executive meetings including the Executive Leadership Team meeting and Group Risk Committee (**Group RiskC**);

○ Divisional and Line of Business (**LoB**) Risk Committee Meetings; and

○ other committees, forums, workshops, meetings, presentations and off-sites as they pertained to the delivery of CORE Activities.

4.2. Assessing the effectiveness of completed Activities

In addition to monitoring the delivery of the CORE Program, our role as independent reviewer involved assessing the effectiveness of Westpac's delivery of the specific uplifts to its governance and risk management practices under the Program. These uplifts were delivered through sequential Design, Implement, and Embed Activities that comprise each Program Deliverable.

Upon completion of each Activity, Westpac compiled a memo, as well as associated evidentiary artefacts, to provide an overview of the actions undertaken in support of Activity completion and in satisfaction of the associated Closure Criteria of each Activity (**Closure Pack**). These Closure Packs were submitted to Promontory and formed the basis of our preliminary analysis and assessment of the effectiveness of Activity delivery.

Following initial assessment, and as we deemed necessary, our assessments proceeded through a series of additional inquiries and revisions until we had been satisfied that the actions taken by Westpac achieved both the letter and spirit of the Activities set out under the Integrated Plan. Our approach varied in accordance with whether an Activity was defined as a Design, Implement or Embed Activity, or pertained to the final Program Deliverable itself. Our assessment approach for each type of Activity is set out below.

4.2.1. Assessment of Design Activities

For Design Activities, our assessments focused on whether:

- the Activity Closure Criteria had been met; and

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

4.2.2. Assessment of Implement Activities

For Implement Activities, our assessments focused on whether:

- the Activity Closure Criteria had been met;

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

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

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

4.2.3. Assessment of Embed Activities

For Embed Activities, our assessments focused on whether:

- the Activity Closure Criteria had been met;

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

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

- there was evidence that the Program Deliverable Metrics, which measured performance against the Target State for individual Deliverables, had been reached; and

- the Deliverables were sustainable such that the Target State could be maintained and evidenced on an ongoing basis.

4.2.4. Assessment of Program Deliverables

For Deliverables, our assessments focused on whether:

- all outstanding queries identified by Promontory in assessing the preceding Activities had been addressed;

- all further information requirements from Promontory had been addressed;

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

- the completed Deliverable had contributed to achieving the Workstream Objective.

4.3. Promontory's Reports

Promontory's reports were prepared on a quarterly basis and provided to APRA and Westpac setting out:

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

- the status of compliance with the Integrated Plan; and

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- whether we considered the implementation of the Integrated Plan to be effective and sustainable, and the reasons for our conclusions.

Promontory's reports were tabled at the CORE SteerCo and the BRiskC on a quarterly basis.

Additionally, Westpac has made our Reports publicly available. From the outset, this demonstrated transparency in relation to the progress of the Program, the challenges it was encountering, and Westpac's ongoing commitment to working towards its desired outcomes.

5. The Outcomes of CORE

As described in Chapter 2, Westpac committed considerable time and resources to developing the Integrated Plan. This commitment remained consistent throughout its delivery.

As a result of the work undertaken through CORE, Westpac's risk governance has been substantially improved. The depth of change to the organisation, both structurally and culturally, means that Westpac is now a simpler, stronger bank.

In this Chapter, we set out the key outcomes delivered through CORE in the context of Westpac's Deliverable Target States. Given the breadth of the Plan, which consisted of 19 Workstreams, 83 Deliverables and 354 Activities, we have not provided an exhaustive list. Rather we provide an overview that demonstrates the extent of change accomplished by Westpac over the life of the Program, with a focus on those outcomes that represent significant uplifts to risk governance.

The Chapter is structured in accordance with Westpac's thematic groupings of the 19 Workstreams set out in Table 5.1.

Table 5.1: Themes and Workstreams

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

5.1. Reflections on Program Completion

Westpac has successfully completed the CORE Program, which is a major achievement. It has delivered all Activities under the Integrated Plan within the timeframe it had committed to. Promontory has assessed all 19 Workstreams as complete, and 348 of 354 Activities as complete and effective[9]. All Activities and Deliverables under the Plan have been closed by Promontory. Overall this has significantly improved risk governance and forms the basis for ongoing progress towards the Program Target States, as described in the next Chapter.

It will become evident throughout this Chapter that not all Activities and Deliverables achieved the same level of excellence. This variation in quality is not unexpected given the breadth of the Program and the inherent complexity and challenges involved in some Workstreams. To bring this to life through an academic analogy, whilst the quality of uplift achieved across some Deliverable Target States warrants distinction, a small number just passed. Timing, complexity, prioritisation and a range of other factors impacted the level of quality attained by some Workstreams in comparison to others. However, the collective impact of the outcomes is undeniably positive.

Westpac now has a solid foundation to continuously improve and to drive further uplift. Importantly, Westpac recognises that there is further work to be done in some key areas and this work will continue through a Transition Period which is described in Section 7.1.

5.2. Board Governance Theme

5.2.1. Board Risk Governance

The Activities and Deliverables under the Board Governance theme were collectively intended to improve the operation of the Board and its Committees in overseeing risk and setting clear direction for the Group's culture and risk appetite. This included the Board's oversight and direction of strategy, investment priorities and the Bank's risk profile. The Board has played a key role in reinforcing accountabilities, including through consistent application of the consequence management framework.

As a result of the Activities and Deliverables under this theme, as well as related uplifts under the Program more broadly, we observed the following key outcomes:

- Increased oversight and challenge over the Group's risk culture. This evolved over CORE and improved significantly in the later stages of the Program as the framework, tools and processes operating across the Bank produced greater insights. We observed the Board as a collective providing more constructive challenge to the Executive and gaining deeper insights, in order to form a view on risk culture.

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[9] Six Activities were closed as complete and will be subject to further uplift during the Transition Period.

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- Enhanced operation of the BRiskC to prioritise in-depth discussions on key risk issues, integrating risk culture concerns throughout the agenda (rather than limited to standalone items) and commencing a shift towards a greater allocation of time on strategic and forward-looking risk matters. A notable shift has been the Board's increasing engagement with risk issues and focus on root causes of risk incidents.

- Increased oversight and challenge through the annual remuneration cycle by the BRemCo. Cultural and behavioural considerations are more transparently considered, together with performance and conduct expectations. Through ongoing reviews and stakeholder consultations, transparency and consistency in decision making have improved. There has also been a growing emphasis on rewarding positive risk behaviours.

- Improvements in the way the Board actively engages with Divisions and communicates more broadly across the organisation, outside the formal structure of committees. This has promoted greater clarity as to expectations around risk management and the behavioural expectations required to deliver the desired culture. As examples, Director involvement in the Director Touchpoints, People Leader initiatives and special purpose sessions has helped to reinforce messages from the top of the organisation.

- More robust Board committee discussions around risk and accountability. This has more clearly set expectations of the Executive in relation to risk management and enabled alignment of Divisional actions to strategic, risk and regulatory priorities.

A number of Activities described in the following sections of this Chapter also had a notable impact on the Board Governance theme and the Board's ability to more effectively oversee the management of risks. Examples include:

- Uplift of the Quarterly Business Review (**QBR**) process.

- Enhancements to the Risk Appetite Statement (**RAS**) framework.

- Uplifts in risk reporting, supported by improved data and dashboards on NFR and financial risks.

- Renewal of the Group's risk culture program, supported by the Risk Culture Framework.

Promontory's assessment is that through the embedment of the Activities and Deliverables, Westpac has achieved the Deliverable Target States for the Board Governance theme.

An important area of focus for the Board will be continuing to create space for more strategic, forward-looking discussions, including on customer outcomes. This has been challenging at times because of Westpac's necessary focus on remediation efforts through the 'fix' agenda. Changes to the composition of the Board provide an opportunity to refresh this more strategic approach to risk.

5.3. Culture and Capability Theme

The Activities and Deliverables under the Workstreams comprising this theme included some of the most challenging and complex to deliver under the Plan. Historical shortfalls in Westpac's risk capacity and capability, organisational complexity, as well as the organisation's immature and reactive risk culture, were key root causes of risk deficiencies that were strongly linked to this theme.

Significantly shifting an organisation's culture is an ambitious goal. In Westpac's case this cultural change was inextricably linked to the uplift of its people's risk awareness and risk capabilities. The cultural dimension of this change required improvement in their ability to approach risk management in a proactive and strategic way, to 'lean in' through their day-to-day roles and consistently prioritise sound practices. These cultural changes are critical to ensuring that improvements to frameworks, processes and tools come to life.

As outlined below, whilst significant progress was achieved across this theme, there are areas requiring continued focus and uplift going forward, notably risk culture and the assessment of risk capabilities. Given the diversity of subject matter captured within this theme, we have described each Workstream in turn.

5.3.1. Executive Culture and Capability

The Activities and Deliverables under this Workstream were collectively intended to strengthen culture, with Executives setting the 'tone from the top' through consistent role modelling of values and behaviours and demonstration of sound risk management. Additionally, there was a strong focus on the coaching role that leaders play, supporting staff to identify, manage, and take responsibility for risks.

We note the following key outcomes delivered under this Workstream included:

- Implementing Executive Leadership programs under the banner 'Executive Edge' (for the GEs, GMs and GM-1 cohort) to strengthen their understanding of Westpac's desired behaviours, to support leaders to role model them and to create a 'safe' environment to raise concerns.

- Reviewing and aligning the frameworks for recognition of positive risk outcomes and behaviours by staff. This was embedded through improved alignment of 'Motivate' (Westpac's performance management system) and 'GEM' (Westpac's recognition platform), to Westpac's Purpose, Values and Behaviours. In this way the linkages between performance, reward and consequence management were more clearly aligned to the Group's desired behaviours.

Promontory's assessment is that through embedment of the Activities and Deliverables under this Workstream, Westpac has achieved the Deliverable Target States for Executive Culture and Capability.

5.3.2. Risk Culture

The Activities and Deliverables under this Workstream were collectively intended to improve awareness, oversight and active management of risk culture. This included establishing tools and processes for Divisions to assess progress towards Westpac's target of a 'proactive' risk culture. The Workstream also intended to enable the Board to have oversight of risk culture across the Group.

We note the following key outcomes delivered under this Workstream included:

- A Risk Culture Framework (**RCF**) that sets out Westpac's desired risk culture as well as roles and responsibilities for risk culture across the 3LoD.

- A Risk Culture Dashboard (**RCD**) that enables Divisions to better manage, measure and report on risk culture in a consistent way.

- An annual Risk Culture Self-Assessment (**RCSA**) process for Divisions to determine their risk culture maturity against Westpac's desired target of 'proactive'[10].

- A Risk Culture Deep Dive (**RCDD**) program to identify key cultural strengths and areas for improvement within teams.

- Regular reporting and discussion of risk culture at Divisional, Group and Board level risk committees, utilising the RCD and insights derived from the RCSA and RCDD processes. This culminates in Divisional Action Plans that identify areas of focus to drive change. Progress on the plans forms part of the reporting on risk culture.

- Guidance and training material as well as a 'Community of Practice' mechanism to share information and knowledge across Divisions.

As a result of embedding the actions mentioned above, in 2023 the BRiskC undertook a risk culture deep dive and endorsed a Group-wide risk culture action plan to provide a strategic and Group-wide set of priority actions.

At around the midpoint of the Program, it became evident that the uplift initiatives were not driving sufficient change. In early 2023, Westpac took decisive actions to course correct, including commissioning an external review. This had a significant impact throughout 2023, with better engagement across the business, thereby improving the usage of tools and processes that had been developed.

Promontory's assessment is that whilst all Activities have been assessed as complete and all Deliverables under this Workstream have been closed, the timeframe available to demonstrate the embedment of cultural change was compressed. Accordingly, additional time is required to demonstrate ongoing maturity and a greater shift toward Westpac's target of a

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[10] The RCSA is a based on a five point risk culture maturity scale - Denial, Reactive, Systematic, Proactive and Generative.

'proactive' risk culture. Westpac recognises this and further maturation will be an area of focus during the Transition Period (refer to Chapter 7).

Going forward it is important that the Board continues to demonstrate its top-down oversight and direction of desired risk behaviours, in addition to the more established bottom-up mechanisms at the Divisional level. The Group action plan endorsed by the Board in late 2023 was an important step in this regard. The Board is charged with providing oversight of risk culture and setting the tone and expectations for the organisation (including as part of its prudential obligations[11]). Through the frameworks established under CORE, Westpac should expect to see greater movement towards its desired state of a proactive risk culture, including an environment which encourages staff at all levels to engage in constructive challenge and to demonstrate desired behaviours.

5.3.3. Organisational Design

The Activities and Deliverables under this Workstream were collectively intended to simplify Westpac's organisational design as well as clarify and improve the alignment of accountabilities.

Organisational complexity and unclear accountabilities were both root causes of Westpac's risk governance deficiencies. As part of this Workstream, Westpac implemented a number of changes that, in our view, were fundamental to the overall success of CORE.

We note the following key outcomes delivered under this Workstream included:

- The LoB model for the customer facing Divisions was designed and implemented. The LoB structure brought together the end-to-end accountability for a family of products (e.g., mortgages, consumer finance, cash and transactional banking) under a Managing Director (**MD**). The LoB structure became the central tenet for the design of governance and risk management approaches, ensuring clear accountabilities for the risk profile of each LoB and support through risk committees.

- Establishment of the Business and Controls Monitoring (**BCM**) function[12] within Line 1 to support the GEs and MDs in the ownership and management of risk profiles. The support provided by these teams was critical to ensuring consistent implementation of key CORE Activities.

- Clarifying the 3LoD model through defined responsibilities and clearer boundaries, significantly improving employees' understanding of the role they play in managing risk.

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[11] For example, under *Prudential Standard CPS 220 Risk Management*.

[12] Following announcements in December 2023, adjustments were made to the organisational structure whereby Chief Operating Offices (**COOs**) for both the Consumer, and the Business and Wealth Divisions were established. These bring together the Chief Transformation Office and the BCM teams within those Divisions. Dedicated Chief Information Offices (**CIOs**) were also created for each of the Divisions. These changes resulted in a dedicated COO and CIO for the Consumer Division and the Business and Wealth Division.

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Key principles included Line 1 ownership of the risks they originate, eliminating duplication of activities or shared primary accountabilities, and alignment to BEAR.

- Clarification of responsibilities through Statements of Accountability for senior leaders (i.e., MDs, GMs and GM-1s) with links to performance through 'Risk Goals' and Westpac's 'My Risk Accountabilities' (**MRA**) framework[13].

Promontory's assessment is that through embedment of the Activities and Deliverables under this Workstream, Westpac has achieved the Deliverable Target States for Organisational Design. While important progress has been made with respect to structural simplification, addressing organisational complexities at Westpac will require ongoing efforts (discussed further in Chapter 6).

5.3.4. Remuneration and Consequence Management

The Activities and Deliverables under this Workstream were collectively intended to strengthen the remuneration and consequence management frameworks, to deter negative risk behaviours and reinforce positive ones. Additionally, the adjustment process for employees on discretionary 'short term variable remuneration' (**STVR**) was to be enhanced.

We note the following key outcomes delivered under this Workstream included:

- The rationalisation, strengthening and alignment of remuneration and consequence management frameworks and policies. This included conducting annual reviews of these frameworks and policies to align with the annual remuneration cycle, ensuring the currency and consistency of the adjustment review criteria and their application.

- The remuneration adjustment process for employees on discretionary STVR was refined and integrated into the regular remuneration cycle. The refinements included the formalisation of a 'look back' process at the Board Committee level prior to any vesting events.

These outcomes were achieved early in the Program and as a result Westpac was able to use them over several cycles and improve their effectiveness. In particular, it is evident to Promontory that there is now a more searching review of both desired risk outcomes and negative risk outcomes as part of the annual remuneration and consequence management process. This is achieving more consistent results and heightening attention on desired risk management behaviours and outcomes.

Promontory's assessment is that through embedment of the Activities and Deliverables under this Workstream, Westpac has achieved the Deliverable Target States. There is now continued oversight and reinforcement of expected performance and risk behaviours.

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[13] MRA is a framework that sets out the accountabilities for role categories across Westpac's 3LoD.

5.3.5. Risk Roles and Capability

To address Westpac's persistent shortfalls in capability to manage risk and compliance obligations effectively, the Activities and Deliverables under this Workstream were intended to develop an approach to assessing risk capability and capacity across both Line 1 and Line 2. The Workstream also aimed to align the Line 2 operating model with the 3LoD and to establish a mechanism for the continued development of risk capability.

We note the following key outcomes delivered under this Workstream included:

- A Business led, one-off assessment process to identify immediate capability gaps in Line 1, with the development and completion of action plans which included further training, communications, process changes and recruitment. This uplift in capability and capacity was important in ensuring the effective implementation of the desired 3LoD model in Line 1.

- The establishment of a 'top-down' risk capability and capacity assessment as part of the Risk Management Framework Maturity Assessment (**RMFMA**) process and in alignment with key risk management components. The assessment is conducted at a Divisional level, with LoB level assessments completed for customer facing Divisions. Identified risk capacity and capability gaps are then included within action plans for remediation.

- Adapting the Line 2 operating model to align with the 3LoD and support the LoB structure. This included clarifying accountabilities and, where necessary, transferring activities for the management of NFR between Line 2 and Line 1. This approach ensured appropriate consideration of the capability and capacity required for the transfer of activities and facilitated further embedding of Line 1 ownership of risk as part of the 3LoD model.

- Development of the 'Risk Fundamentals Program' to support an accelerated increase in foundational risk management capability across the Group and establishing the process to support ongoing improvement and progressive refinement of targeted Line 2 training.

There has been a significant uplift in the capability and capacity of risk management across the Group which was essential for the overall success of CORE. The adequacy of resources and capabilities is key to both the sustainability of CORE outcomes and remediation of the five Root Causes. Promontory considers that the current top-down approach for assessing capability and capacity in the Risk Function, while a useful component of an assessment framework for Line 2 capability, is insufficiently granular to effectively identify gaps across the breadth of its responsibilities.

Promontory's assessment is that while all Activities have been assessed as complete and all Deliverables under this Workstream have been closed, further work is required to uplift the ongoing assessment of the risk capabilities and capacity of Line 2. Westpac recognises the need for further work and this will be an area of focus during the Transition Period.

5.4. Transformation Capability and Delivery Theme

The Activities and Deliverables under this theme were intended to address Westpac's persistent challenges in managing its transformation portfolio and 'staying the course', and ensure operating effectiveness of changes (i.e., getting execution right). The uplifts were designed to ensure that Westpac can successfully deliver its change agenda. This included the transformation operating model, clarity of roles and responsibilities, capability uplifts, relevant frameworks, policies and supporting tools.

Westpac was aware that in the past, where multiple priority initiatives were underway, they had overseen them in a disconnected way. As described in the associated Root Cause, the Bank had challenges in execution and 'staying the course'. The uplifts in this area aimed to ensure that formal structures were established to provide a coordinated view that informs investment decisions, identify and manage interdependencies, and ensure effective execution and delivery of targeted outcomes. In many ways, the approach was tested in real time through the delivery of CORE, in tandem with other transformation priorities across the Group.

We note the following key outcomes delivered under the Transformation Capability and Delivery Theme:

- The introduction of a Quarterly Business Review (**QBR**) process to support the annual Board Strategy Review (**BSR**). The QBR provides a regular mechanism to ensure investment planning, prioritisation and management is aligned with the Group's strategic, financial, risk and regulatory priorities. This was implemented through:

  - Divisional QBRs that roll up to a Group QBR for cross Divisional prioritisation.

  - The Enterprise QBR which oversees the enterprise portfolio to improve the delivery of large, complex, cross-divisional programs, with accountable GE sponsors and responsible GMs for each program.

  - Improved reporting to provide greater transparency on risks relating to the transformation agenda and risks arising from the deprioritisation of programs. The reporting also includes Line 2 observations and insights on key risks.

- Risk in Change (**RiC**) was enhanced through clearer accountabilities and uplifts in change execution frameworks, standards and tools.

- Improved project management practices and delivery disciplines through specialised training and the alignment of responsibilities to the 3LoD. Clear expectations were established to ensure greater consistency across business owners, change leaders and portfolios.

Promontory's assessment is that through embedment of the Activities and Deliverables under this Workstream, Westpac has achieved the Deliverable Target States.

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With respect to RiC, while significant improvements delivered under this theme help to de-risk the change process for both delivery and delivered risk, Westpac has identified further opportunities to drive maturity across the Divisions. This will form part of the Bank's ongoing focus during the Transition Period.

5.5. Risk and Compliance Management

The Workstreams comprising this theme covered a broad expanse of activities that were collectively intended to uplift and support sustainable and effective NFR management. Frameworks were enhanced, governance practices were heightened, risk systems were improved, and key risk processes were evolved. There was extensive uplift across NFR management, particularly in relation to the operational and compliance risk classes throughout this theme.

The uplift has been significant and broad reaching. Improvements such as the introduction of centralised dashboard reporting through the Strategic Insights Platform (**SIP**) and the establishment of the value chain construct can be said to represent revolutions in Westpac's risk management. Further enhancement will continue to pay dividends into the future.

We note the following key outcomes delivered under the Risk and Compliance Management theme:

- Risk frameworks and governance practices were uplifted and now provide a more robust foundation for identifying, managing and reporting on NFR. The approach to emerging risks was also uplifted to better surface and aggregate emerging risks across the Group.

- The approach to risk appetite management was significantly enhanced. This began with the rollout of a Risk Appetite Statement (**RAS**) Policy to govern risk appetite management and the establishment of a revised Board RAS aligned to the new risk taxonomy. The Board RAS has been cascaded to Divisions and LoBs through Divisional and LoB RAS' and supported by streamlined reporting through Risk Appetite Dashboards.

- The value chains model has been rolled out across the Group, supported by associated process modelling. Risks, obligations and controls have been mapped to processes supporting an integrated and improved risk and compliance management approach. Front Doors of Change have been established within the LoBs and Divisions to govern and control changes to value chains, including updates to the risk profiles.

- Progressive improvements to the control environment have been made. This has included the development of a controls framework for managing controls and the implementation of a controls library. An approach to further improving the control environment is in place through the establishment of the Controls Optimisation Working Group and an approach to common and centralised controls. Additionally, testing practices for key controls have been improved through the Controls Self-Assessment process and quality reviews over testing, referred to as Control Assessor Reviews.

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- JUNO, Westpac's Risk System, was significantly enhanced through the inclusion of additional functionality to support and facilitate efficient workflow across key risk processes including issues, incidents, risks, controls and links to the value chains. JUNO is firmly accepted as the system of record for NFR data. A JUNO Roadmap is also in place for future enhancements and a feedback mechanism for identifying continuous improvement opportunities has been embedded.

- Key NFR data has been aggregated for reporting through SIP to provide a standardised reporting tool and source of NFR data for use across the organisation. An initial suite of automated dashboards has been developed, as well as self-service dashboarding capabilities.

- Policies and practices for incident management, issue and action management and root cause analysis have been uplifted, with consistent metrics and reporting over incidents and issues tabled at Risk Committees. Root cause analysis on material events is now conducted consistently and lessons learned are shared through the Group Root Cause Analysis Forum.

- A coordinated assurance model has been developed to delineate responsibilities for assurance across the 3LoD, provide a systematic assurance approach and reduce overlaps and gaps in coverage.

- Compliance management practices have been significantly uplifted, with revised approaches to managing regulatory obligations. Integration of obligations into JUNO now ensures better coordination and improved risk and compliance management. Additional work was conducted over the management of prudential obligations to redefine roles and responsibilities, including ownership requirements, and integrate these within risk profiles.

As noted above, the breadth of uplift introduced under the Risk and Compliance Management theme was significant. Although Promontory's assessment is that the respective Target States have been reached for all Deliverables under this theme, there is an opportunity to further mature the tools to assess the control environment and risk profiles in the context of the value chains.

By consistently embedding these uplifts within ways-of-working, Westpac can more fully realise business outcomes and further solidify the interconnectedness of practices across the end-to-end risk ecosystem. Westpac has planned further work across aspects of the Risk and Compliance theme which will form part of the Transition Period.

5.6. Conduct Theme

The Activities and Deliverables under this theme were intended to establish clear expectations for managing conduct, anchored in Westpac's Code of Conduct. This is supported by clear roles and responsibilities, relevant training and a standard way of assessing and reporting on conduct risks.

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It was important for the Group to expand beyond a narrow 'compliance' approach to conduct risk and to ensure greater management awareness and oversight through monitoring and reporting.

We note the following key outcomes delivered under the Conduct theme:

- A new Code of Conduct which established clear conduct risk expectations. Put simply, the Code establishes the expectation that Westpac and its people do the right thing, by asking not only 'Can We?' but 'Should We?' (i.e., the 'Should We?' test).

- Updating relevant policies across the Group to ensure they align with the expectations of the Code of Conduct. This included establishing a mechanism for their ongoing review.

- Raising awareness of conduct risk and expectations, including the 'Should We?' test, through awareness campaigns and a training program rolled out across all levels of the Bank, including the Board.

- A methodology for assessing and reporting on conduct risk matters to ensure visibility across the Group. This included dashboard infrastructure to support consistency of reporting and the introduction of RAS measures and tolerances for conduct risk.

Promontory's assessment is that through embedment of the Activities and Deliverables under this theme, Westpac has achieved the Deliverable Target States. By establishing a Code of Conduct, supported by clear training and guidance, awareness of conduct risks has been elevated across the Group.

5.7. Complaints Theme

The Activities and Deliverables under this theme intended to create a culture that welcomes feedback. To ensure effective complaints management, there was a need for clearer accountabilities in Line 1 to resolve and escalate matters. Appropriate training, as well as a centralised system for complaints management and reporting, was also a focus to ensure consistency across the Group.

We note the following key outcomes delivered under the Complaints theme:

- The complaints management process was uplifted to ensure alignment across the Bank. This included updating policies and standards to incorporate regulatory changes, the creation of a Service Excellence Framework to drive quality and consistency, and uplifted capability through mandatory training, playbooks and supporting tools.

- New complaints reporting and metrics were established to increase visibility, accountability and oversight of complaints at Divisional and Board level risk committees. The complaints management metrics were incorporated into scorecards for the relevant GE with accountability and GM with responsibility for complaints management.

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- A single platform, 'Solve It', was created for managing complaints across the Group. This enabled an enterprise-wide approach to managing complaints and supported an uplift in capability and data.

Promontory's assessment is that through embedment of the Activities and Deliverables under this theme, Westpac has achieved the Deliverable Target States.

The multi-year strategic transformation of the complaints management process at Westpac turned disparate approaches across different teams into a materially improved single approach. Addressing customer expectations around complaints will necessarily need to evolve over time, and the changes introduced through CORE put Westpac in a strong position for continuous improvement.

5.8. Technology and Data Risk

The Workstreams comprising this theme covered a range of Activities and Deliverables intended to strengthen the mechanisms in place to manage technology risk and resilience. In relation to data, the activities were intended to strengthen the Group's data management and oversight of its Critical Data Elements (**CDEs**).

We note the following key outcomes delivered under the Technology and Data Risk theme:

- The technology and data components of the Group's risk appetite were reviewed. For technology, this was to define and focus on out-of-support applications. For data, this initially focused on the onboarding of CDEs and then transitioned to the effectiveness of the control environment. This increased transparency and oversight, and improved collaboration across the Group for the development and monitoring of remediation plans.

- The approach to the 'Technology Roadmap' and 'Execution Roadmaps' was comprehensively uplifted to support the enterprise-wide investment prioritisation process. This resulted in roadmaps that were better aligned to the Bank's strategy and provided greater transparency over technology risks.

- A consistent approach for assessing and reporting on technology service risk was defined and implemented. This included establishing a review cycle determined by criticality and quality assurance processes. The Technology Risk Reporting Platform was implemented to support the monitoring and reporting of technology risks. This improved the management and oversight of risks relating to both Technology Managed Applications and Business Managed Applications.

- A data management operating model was established. This included defining data risk, clarifying data ownership, implementing processes and systems for the onboarding of CDEs, and managing and overseeing data incidents and issues. Westpac's Data Management Operating System was implemented as a central source of truth to support the management and oversight of data risk, including the capture of data quality rules and linkages to controls and issues in JUNO.

Promontory's assessment is that through embedment of the Activities and Deliverables under this theme, Westpac has achieved the Deliverable Target States.

In relation to Technology Risk Governance, Westpac has uplifted and clarified processes for identifying and assessing technology risks in accordance with the Group's appetite settings. The ability to deliver on Technology roadmaps is supported by clearer frameworks and processes, with increased transparency and oversight of technology risks.

In relation to Data Risk Governance, Westpac now has a deeper understanding of its CDEs and related control environment, with clearly defined actions to uplift controls as required.

5.9. Financial Risk Classes

The Activities and Deliverables under this theme were intended to maintain an effective control environment to govern credit, market, liquidity[14] and capital adequacy risks, and compliance with prudential and regulatory reporting standards. This also required ensuring a clear split of responsibilities across the 3LoD and efforts to onboard CDEs.

The Financial Risk Workstreams worked in collaboration with other CORE Workstreams to ensure overall alignment of risk management approaches. This included Organisational Design for the LoB and 3LoD models, Data Risk Governance for the onboarding and management of CDEs, Compliance Management for the development and management of the obligation libraries, and end-to-end risk and control management for assessing risks, managing the control environment, and incident and issue management. The Workstreams were also closely involved with other programs that had been established due to regulatory changes or to address specific challenges. These included the Regulatory Reporting Uplift Program, Basel III Program, APS 220 Credit Risk Management Program and the APS 210 (Liquidity) Remediation Program.

We note the following key outcomes delivered under the Financial Risk Classes theme:

- Financial risk management frameworks were aligned with Westpac's overarching RMF, implemented, and cascaded throughout relevant parts of the organisation. Additionally, risk appetite measures for financial risks were aligned with the updated Group RAS Policy, with ongoing monitoring activities operationalised to track compliance.

- Roles and responsibilities for the financial risk classes within scope were aligned with the 3LoD model, with various activities transferred between lines of defence to promote Line 1 ownership of risk. Mechanisms to monitor ongoing alignment with the 3LoD model were

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[14] As noted in our previous reports, there is significant overlap between Deliverable 19.1 and the work undertaken by Westpac under its APS 210 Remediation Program. In connection with the APS 210 Remediation Program, Westpac engaged an independent third-party to review compliance with APRA's liquidity reporting requirements and the remediation of its control framework for liquidity risk management. Given the overlap, Promontory only reviewed components of the Design and Implement Activities for Workstream 19.1 and Westpac re-engaged the same independent third-party to review the entire Embed Activity and Deliverable. On that basis, and without further review by Promontory, we have recorded Deliverable 19.1 as fully complete.

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also implemented. Westpac has achieved a significant shift of activities across Line 1 and Line 2 during CORE and continues to demonstrate progress across activity transfers in some areas.

- Obligation Libraries for prudential requirements and guidance related to the financial risk classes within scope were developed. Obligations were linked to relevant Divisional and LoB risk profiles. The overall control environment for managing these risks was uplifted to support ongoing compliance, with relevant tools and processes developed to monitor and report on prudential compliance.

- CDEs pertaining to prudential requirements and regulatory reporting standards were identified and onboarded to the Data Management Operating System. Data management processes, controls and quality assurance practices were introduced to improve governance over the accuracy and ongoing management of CDEs. Maturity of data risk management will be further supported through the embedment of the Producer, Processor, Consumer operating model, defining data quality rules for onboarded CDEs and implementation of consistent tooling for ongoing monitoring of CDEs.

Promontory's assessment is that through embedment of the Activities under this Workstream, Westpac has achieved the associated Deliverable Target States for those financial risk classes within the scope of our review. The uplifts under CORE have improved Westpac's risk governance and the control environment supporting its management of financial risks.

6. Progress Towards the Program Target States

Major risk transformation programs need clear goals and targets to communicate the organisations' aspirations and to provide a positive focal point for action. For Westpac, the five Program Target States described in Chapter 2 set out the high-level objectives of CORE. They also represent ongoing guides for the Bank as it continues to evolve its risk governance and risk management following completion of the Program.

The five Program Target States are:

- We are a well run business where risk is actively managed.

- A simplified organisational construct with clear accountabilities.

- Three lines of defence is understood and embedded.

- Our people understand risks and proactively manage them.

- We are known for execution excellence and getting it done.

The Target States also address the five Root Causes of Westpac's risk management deficiencies, with each Target responding to one of the Root Causes. In doing so, they help to ensure that the 'why' of the Program remains in sight.

This Chapter discusses Westpac's progress towards each of the five Target States. In all five of these areas Westpac has made considerable progress, and collectively the efforts against the Targets represents a major transformation of the Bank's risk governance and management. The extensive work undertaken through CORE has moved Westpac closer to the goals and aspirations set out in the five Target States and in doing so has helped to remedy the root causes of its risk management deficiencies.

For good reason, the Program Target States are inherently aspirational. They are markers which the Bank can use both to measure its progress and to work towards. As such, these Target States are not an endpoint but a 'North Star' to direct the organisation towards excellence and will remain relevant for ongoing efforts to improve risk governance and customer outcomes. It is not surprising that there is some overlap between the Program Target States, as the various outcomes of the Program are interconnected and will only be successful if they are mutually reinforcing.

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6.1. We are a well run business where risk is actively managed

Westpac's associated Root Cause for this Target State was the presence of 'an immature and reactive risk culture'. Of the five Target States, this is arguably the most aspirational, likely to be the most enduring and, by its nature, the most far reaching.

There is a critical cultural component to this Target. Cultural changes are the most inherently difficult to realise and are not always immediately tangible but are essential underpinnings of organisational reform. Not surprisingly, central to progress on this Target State has been Westpac's work on risk culture and associated underlying behaviours.

Westpac's efforts towards strengthening its risk culture faced some early challenges, including a tendency to cultivate complexity, a reactive approach, and a bias toward 'good news'. However, there was recognition of these challenges and decisive action was taken to course correct. This response was itself an indicator of cultural uplift.

We observed that through the CORE Program, Westpac made extensive improvements to processes, frameworks and structures that contribute to a 'risk aware' culture and enable risks to be better identified and managed. These mechanisms have brought about a greater awareness of risk and will help Westpac to shift from a reactive or passive to an increasingly proactive approach to risk management. This cultural shift has commenced and will necessarily take time and focus to fully embed.

Cultural change starts at the top. The Board has progressively elevated its engagement in this area over the life of the Program, particularly through the BRiskC. The tone and direction from the Board has continued to improve, including through a greater role in organisational communications, as well as robust challenge and discussion around areas such as risk appetite, remuneration and accountability. Furthermore, there has been an increasing practice to incorporate cultural considerations in discussions across all areas of risk, rather than quarantining risk culture to a standalone item. This is a strong foundation to build on and there is work planned to further enhance risk culture oversight and reporting, such as the integration of a Group-wide action plan into the Divisions.

We have increasingly observed 'tone from the top' cascaded through the Bank in multiple ways across the Program, including through Navigate Sessions, People Leader Forums and Culture Days[15], and corporate communications. There has also been a cultural dimension in the application of consequence and remuneration management frameworks, as well as in the greater transparency brought about in the Board's expectations for strategic and risk appetite settings.

The Executive have increased focus on the cultural dimensions of risk management. We have seen leaders taking actions to understand key behavioural drivers in their Divisions, such as utilising insights from self-assessments, surveys, deep dives, issues and incidents. In addition,

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[15] As described above in Section 3.4, these sessions brought various cohorts together from across the Group to focus on important themes, including risk culture, encouraging proactive behaviours, and sharing lessons learned.

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Divisions have developed action plans to address 'blockers' to better risk management and to encourage greater transparency and positive change in behaviours across their teams. We have seen how powerful it can be when middle management have been fully engaged by Executive and senior leaders, as they are key enablers to embedding lasting change. The Executive has a critical role to play in continuing this engagement with 'the middle', as well as demonstrating desired behaviours, encouraging transparent discussions and owning their actions.

Recent efforts in the risk culture Workstream focused on simplifying the Risk Culture Framework, including associated processes and tools. The process to integrate Risk Culture within Westpac's broader organisational culture is underway, which will help to form a holistic view of the Group's risk culture.

Although progress towards the Target State has been significant, there is still more to do and Westpac has a clear way forward to further maturity. Areas where Westpac has made progress, and should continue to focus, include:

- reinforcing that risk awareness is part of everyone's role in the Bank and not just the domain of risk professionals;

- highlighting the voice and experience of customers in risk discussions;

- empowering the business to proactively engage with and manage risks within appetite and policy. In this way, risk considerations become a way to support, rather than impede, decision making;

- ensuring that the Line 2 'voice of risk' resonates prominently in governance forums and in interactions with the business;

- providing a safe environment to encourage people to speak up and become involved in actions and decisions, rather than deferring to leaders, Line 2 or unquestioning adherence to process;

- sharing stories both from positive as well as negative risk events, and communicating lessons learned across the organisation; and

- codifying the 'Should We?' test and supporting it with shared stories and experiences so that conduct risk awareness is inherently present in Westpac's frameworks, tools and action plans.

A well run business with proactive risk management does not mean a business without risk incidents or challenges. Risk events inevitably arise in large, complex organisations. The risk culture initiatives described above, supported by uplifts in capability and systems, should contribute to a more effective and dynamic response to such incidents at Westpac.

The greater organisational emphasis on root cause analysis and the establishment of the Group Root Cause Analysis Forum is a prime example of this shift in mindset. These have

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meant that the Bank now looks more deeply at the cause of significant incidents to address them in a strategic manner and share cross-organisational learnings. Importantly, these changes support a necessary cultural curiosity to understand why such events occurred and to share learnings that help prevent recurrence.

6.2. A simplified organisational construct with clear accountabilities

Westpac's associated Root Cause for this Target State was 'an organisational construct that creates complexity'. This Root Cause had contributed to unclear and weak accountability for risk management and inconsistencies in how risk was governed across the Bank.

Through CORE, Westpac has significantly simplified its organisational structure. This has clarified accountabilities across the end-to-end environment, reduced the Bank's inherent risk profile and improved its ability to identify and manage its risks. This represents significant uplift and future planned work will serve to further embed these changes within the organisation and improve their sustainability.

A key change to Westpac's organisation delivered under CORE was the introduction of the LoB construct. This change in Westpac's operating model assigned accountability for all matters within a specific business area, including products, risk management and customer outcomes, to a single point, the associated LoB MD. This was supported by an extensive program to model processes and form a comprehensive view of where risks manifest across the end-to-end value chains within each LoB and the controls in place to mitigate them. The first to be mapped were the customer-facing value chains, and in the latter stages of the Program, process modelling was completed for the Enabling Services (Group functions that support the LoBs) with their integration into LoB Value Chains expected to occur as part of future maturity in the Transition.

In addition to actions under CORE, Westpac undertook significant work to simplify its business model through the divestment of non-core businesses. This included divestment of its life insurance, general insurance, lenders mortgage insurance, vendor finance and auto finance businesses, as well as reductions in its international operations for WIB, the merger of BT's personal and corporate superannuation funds with a third-party trust and the sale of its Advance Asset Management business. While these changes did not occur under CORE, they have greatly reduced Westpac's inherent risk profile and overall regulatory obligations, enabling the infrastructure and controls implemented under the Program to have a stronger focus and be more effective.

Accountability, including the refinement and clarification of Accountability Statements under BEAR, as well as the clarity of accountability brought about through the LoB construct, has been a key focus for Westpac throughout CORE. Accountability mechanisms have been formally cascaded throughout the organisation to the GM-1 cohort through Statements of Accountability. Further, the 'My Risk Accountabilities' framework and the development of 'Risk

Goals' that support performance management have brought greater clarity and responsibilities for risk to all role categories across the 3LoD.

Westpac has also recognised the need to balance the negative and positive elements of accountability and consequence management. From the Board level down, there has been a growing focus on ensuring appropriate emphasis is given to rewarding positive risk behaviours, which are important in reinforcing desired outcomes.

Although progress towards this Target State has been significant, there is still more to do. In recent years, Westpac has necessarily spent a large portion of its time and investment on 'fix' projects to remediate organisational issues and address the Root Causes. This has left less opportunity for investment in 'simplify' and 'perform' initiatives, which means that aspects of the operating environment, including some legacy systems and products, remain complex. The need for further work to simplify the technology stack and back-office operations is well-understood at all levels of the organisation and there is now a pathway forward for this through the recently announced 'Unite' strategy.

Unite accelerates a comprehensive plan to simplify Westpac's technology systems and platforms[16]. The intention is to bring disparate systems across the Bank's brands onto a single platform and more than 100 systems will be decommissioned. This strategy is intended to significantly reduce complexity and inherent risk at Westpac and is an important and ambitious step forward. While there may be significant challenges in executing Unite, the structures, risk culture uplift, capabilities and delivery disciplines developed through CORE, such as value chain mapping, investment prioritisation, governance and oversight measures, and risk in change capabilities should support Westpac in delivering on this strategy.

6.3. Three Lines of Defence is understood and embedded

Westpac's associated Root Cause for this Target State was 'a 3LoD model that was not well understood or embedded'. This Root Cause was driven by a lack of clarity around the key role of Line 1 in owning and managing risk. As a result of CORE, there is now a much greater understanding of, and engagement with, the concept of the 3LoD, including regular discussion at the Executive and Board. The work on the 3LoD under CORE has provided a sound basis for maintenance and ongoing improvement of the model.

Part of an effectively embedded 3LoD model includes well-defined roles and responsibilities. These need to be supported by clear communications and ongoing monitoring to proactively address any ambiguity or lack of clarity. Under CORE, responsibilities have been clarified through frameworks and policy, and a significant number of activities and capabilities have been realigned to their appropriate Line of Defence, reinforcing the principle of Line 1 risk ownership. Necessarily, much of the effort in clarifying and embedding the 3LoD model has focused on Line 1 and as such the ownership of risk outcomes in the business has greatly

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[16] Technology-simplification-update.pdf (westpac.com.au)

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improved. Ongoing work during the Transition will include emphasis on consistency and effectiveness in Line 2.

CORE saw a significant transfer of operations and capability from Line 2 to Line 1 in accordance with the principles of the 3LoD. 'Activities' were transitioned covering such areas as controls operation, system ownership, and reporting. One of the greatest changes to the 3LoD brought about through CORE was the evolution of the model as it applied to credit risk, which accounted for nearly half of all activity transfers. This was a significant change to the existing structure which previously had extensive activity centralised within the Line 2 credit risk team. This was a difficult and bold change to Westpac's historical structure and the role of the Executive in driving this change is testament to the organisation's commitment to the 3LoD risk model.

Another critical change to the 3LoD resulting from CORE was the formalisation of the BCM teams within Divisions. Line 1 risk teams had existed within the organisation prior to the Program, but CORE saw the standardisation of these teams under the BCM title and their elevation to a critical business function. BCM teams and their leaders continue to play a key role in embedding CORE deliverables and uplifting Line 1's overall risk understanding and capability.

Throughout CORE we observed BCM teams take on important responsibilities in Line 1 and their capabilities are continuing to build with the establishment of the BCM Chapter. The BCM Chapter aims to strengthen Group-wide business and BCM risk capability through greater standardisation of risk practices and targeted capability uplift within the BCM community. These are positive outcomes for Line 1 and should help to drive continued improvements. It will be important that BCM teams continue to work closely with Line 2 when supporting Line 1 risk management, so that the 3LoD model operates as intended and ambiguity across the lines does not re-emerge.

In relation to Line 2, the CORE Program saw a revision of the Line 2 Operating Model to clarify the engagement model between Line 1 and Line 2. This model reinforced the primacy of the dCRO as the key conduit and point of contact for all risk matters emanating from the business, with Risk Class Owners providing an additional overlay of risk class expertise where needed.

As activities moved out of Line 2 and the function's responsibilities changed, Line 2 has needed to realign its role to reinforce its core purpose of oversight, challenge and advice. We have seen examples of this working well in practice and have observed a strengthening voice of risk over the life of the Program, particularly at senior levels across various committees. This is a positive demonstration of how clarified roles and accountabilities across the 3LoD model can drive improved interactions, leading to better risk management practices and outcomes. The foundations established under CORE provide Westpac with an opportunity to continue elevating the voice of risk through all layers of the Bank.

Westpac has made important strides in embedding the 3LoD Model. However, experience across the finance sector indicates that 3LoD is challenging to get right and needs to be regularly monitored for slippage. As such, there is more work to do, and the Program Target

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State represents an ongoing guide for continuous improvement rather than a final destination. Westpac's 3LoD Model underpins risk activity across the entire organisation and there will need to be continued reinforcement of its core principles of Line 1 risk ownership and independent Line 2 oversight. The positive story is that the work under CORE has ensured that these principles are understood across the organisation and are integrated within BAU frameworks and policy.

The principles of Westpac's 3LoD Model have also seen consistent and prominent reinforcement through Group communications, CEO and CRO messages, and risk culture initiatives both divisionally and Group wide. These have served to positively reinforce the 3LoD model structure outside the ambit of frameworks and processes, encouraging staff to take ownership of risk outcomes within their roles and reminding them that doing so also supports improved customer outcomes. This commenced through CORE and will be continuing beyond the Program.

Further maturity on the 3LoD should seek to evolve the role and capability of Line 2 and BCM teams to reinforce their respective roles and the boundaries within which they operate, particularly in the presence of continuing organisational change. Line 2 will need to guard against slipping back into 'the doing' and BCM teams need to ensure they do not end up managing risk on behalf of the business. Middle managers, senior leaders and Executives alike across all LoBs and Divisions have a valuable role to play in ensuring that the 3LoD model is consistently reinforced.

6.4. Our people understand risks and proactively manage them

Westpac's associated Root Cause for this Target State was 'a shortfall in risk management capacity and capability'. This Root Cause was driven by a recognition that in some areas of the Bank there had been insufficient employee capability to manage non-financial risk and compliance obligations effectively.

It is important to note that capability can be viewed from a threefold lens of people, process and systems, and Westpac's efforts under CORE to uplift capability have aligned to these three areas. From a process and systems perspective, CORE has delivered significant capability improvements. From a people perspective, the foundations for assessing and uplifting risk management capacity and capability have been implemented under CORE. This provides the basis for further work and organisational focus which Westpac has acknowledged through dedicated focus areas during Transition.

CORE saw significant investment in Westpac's systems for recording, measuring and managing risk, particularly from an NFR perspective. JUNO, Westpac's risk system, was greatly improved, which helped to rectify the impacts of historical underinvestment such as out-of-system workarounds. Additionally, there are now established processes for assessing the effectiveness of the system and collating and addressing user feedback which should help ensure the system continues to improve in line with user needs. Supporting JUNO was the rollout of SIP, Westpac's key dashboarding and reporting tool for NFR data. SIP has improved

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analytical capabilities and the coverage and consistency of reporting and standardised the risk data upon which reporting is developed.

New and improved processes have been a significant output of the CORE Program. As set out in Chapter 5, there has been extensive uplift across all areas of risk governance at Westpac under the Program. Many processes that existed in some form prior to CORE have benefited from renewed investment and focus, such as issue and incident identification and management, whilst some have been stood-up for the first time. Examples include risk profiling under the value chains model, and the Group-wide root cause analysis framework and forum. Collectively, these improvements have provided teams across Westpac with a consistent framework within which to identify, consider and manage NFR. This is a solid foundation from which to move forward and Westpac should continue to look for opportunities to refine and simplify these processes.

In continuing to build people capabilities, Westpac stands to gain significant benefits over time. Ultimately, it is people that utilise systems and execute process. As such, continued development of their capability should be viewed as an important investment, much like expenditure on systems and processes.

Westpac has made sound progress in uplifting risk capability and capacity across the organisation, with significant work completed to identify and rectify gaps in Line 1 capability in accordance with the 3LoD Model. In particular, we have seen great improvements in risk awareness at senior levels through our observation at Westpac's various forums and committees. More specifically, we have observed that consideration of risk is interwoven across the meetings and not separated from broader business discussions. We have also observed positive impacts from Westpac's efforts to cultivate this throughout the middle and lower organisational levels.

As described in Section 6.3 above, with the strengthening of Line 1, the role of Line 2 has needed to realign to focus on oversight, challenge and advice in accordance with the 3LoD model. Westpac is in a stronger position now to support Line 2 in exercising its role in a more proactive manner and to unlock further value across the function. In doing so, having effective mechanisms for assessing risk capabilities is important. Westpac's processes for assessing the adequacy of capability have to date been conducted on a top-down basis. While this will provide useful information, augmenting this with a thorough 'bottom-up assessment' (i.e., at the practitioner level) would assist senior risk leaders to make more informed decisions around resourcing and to develop staff skills in a targeted and meaningful way. From our observations, there is scope to further invest in how people capability is assessed and developed through Transition and beyond.

6.5. We are known for execution excellence and getting it done

Westpac's associated Root Cause for this Target State were challenges in execution and 'staying the course'. Historically, Westpac had a history of poor project execution, including around risk systems and risk remediation.

Perhaps the greatest evidence point for Westpac's progress towards this Target State is the completion of the CORE Program. As noted in Chapter 2, the CORE Program, in terms of the breadth of its subject matter and scale of its desired change, was one of the largest and most ambitious risk transformation programs seen in Australia. The Program also brought about major changes to Westpac's approach to managing RiC and investment prioritisation which have improved the Group's practices for managing large-scale change across its portfolio.

The execution of CORE required effective Program Management, including unwavering focus on delivery, strong support from the Board and Executive, clarity of outcomes, elevation of risks along the way, and proactive coordination across areas of the business impacted by changes. Westpac demonstrated these disciplines throughout the Program and arguably they strengthened as it progressed. As a result, Westpac was able to deliver the Program within its timeframes.

In the earlier stages of the Program, reporting at times suffered from a 'good news' bias whereby risks, while reported, were not always given adequate focus. There was a tendency at times to look for positives at the expense of fully understanding the challenges. As the Program continued, this trait declined and we observed more effective and constructive use of ratings and status updates that supported improved oversight and robust discussion of challenges.

Critical to the success of the Program were its structured governance and oversight mechanisms, its meaningful communication initiatives to support changes and expectations, its discipline towards delivery timelines and the key role played by the CORE Central team in coordinating across the Workstreams. These all point to maturation in Westpac's change practices and demonstrate that Westpac can execute effectively. CORE should naturally provide a blueprint by which future change can be delivered.

The CORE Program has improved the method by which funding is prioritised across the Bank's strategic initiatives. As outlined in Chapter 5, the investment prioritisation process is referred to as the QBR and supports the Bank's BSR. The QBR has provided greater clarity to the Board on progress towards the achievement of its strategic objectives. It has enhanced the approach toward, and the transparency of, decision making and consideration of risk matters across the transformation portfolio.

Overall, Westpac's approach to execution has become more strategic. In the past, Westpac leaned heavily on tactical fixes, often introducing additional complexity into its operating environment and neglecting the cultural aspects of change management. The learnings from CORE, and the execution disciplines developed, now put Westpac in an improved position to execute on future change.

7. Going Forward

CORE has materially uplifted Westpac's approach to culture, governance and accountability. The challenge now is to maintain the momentum so that improvements continue to mature and that effective outcomes are sustained. The proof of CORE's success is not the completion of activities in the short term, but the consistent demonstration of ongoing, positive results for the Bank and its customers. As we will explore in this Chapter, following a transformation of this magnitude, Westpac is now in a much improved position to identify and address the challenges that lie ahead.

CORE has resulted in a significant amount of change over an intense and relatively short period. As noted above, some of the most complex Workstreams under CORE require further work to embed, mature and ensure sustainability. Westpac has recognised this and committed to a formal period of transition (**Transition Period**).

In addition to further work in specific areas, the Transition Period will also involve monitoring the consistency and sustainability of outcomes in BAU, so that improvements in Westpac's approach to risk governance segue into BAU in an interconnected manner. Focus on continuous improvement will need to extend beyond the Transition Period to become a permanent part of Westpac's 'DNA' around risk management.

This Chapter is structured in two parts. First, we describe the structure of the Transition Period, its purpose and its aims. Second, we provide key areas for Westpac to focus on into the future, during the Transition Period and beyond.

7.1. The Transition Period

Westpac has committed to undertaking an additional program of work following the completion of CORE. The Transition Period consists of two distinct but interrelated parts:

- Focus Areas: the Focus Areas are aspects of Westpac's risk governance that have been identified as requiring further maturation to ensure operating effectiveness. Activities will be undertaken to build on specific Deliverables under CORE and to reach a more robust level of efficacy.

- Validation: the Validation process will involve additional monitoring over the broad set of uplifts delivered through CORE to ensure they are sustained, effective and continuously improved. All Workstreams associated with the Program will be validated. The Workstreams will be referred to as Domains to reflect the shift to a BAU operating model.

The Transition Period has commenced and is planned to be completed at the end of calendar year 2024. Promontory has been engaged to provide assurance over the Transition Period.

7.1.1. Delivery Structures

With the completion of CORE, the structures supporting program governance, management and delivery have been dismantled. As such, the delivery and oversight of the Transition Period will primarily rely on existing BAU accountability and governance structures. The key accountabilities set out for the Transition are as follows:

- The BRiskC has accountability for overseeing the Transition.

- The CEO is accountable for leading the Transition.

- The Transition GE Sponsor is accountable for managing the Transition and reporting on progress to relevant stakeholders.

- The Transition GM is responsible for coordinating the Transition, including supporting the Validation process set out below.

- Focus Area GEs and GMs are accountable for the delivery of their associated Focus Areas set out in the Focus Area Plans.

- Domain GEs and GMs are accountable for ensuring the sustainability, effectiveness and continuous improvement of uplifts delivered under CORE.

- Divisional GEs and GMs are accountable for the sustainability and continuous improvement of the uplifts delivered within their Divisions through CORE and delivering activities in accordance with the Focus Area Plans as it relates to their Divisions.

GE and GM Scorecards will continue to have an objective regarding Westpac's commitment to the EU throughout FY24.

As the Transition Period is being delivered in BAU without associated program infrastructure, each of the Focus Areas will maintain relevant project governance in accordance with Westpac's project management requirements. Aspects of the CORE Central team will persist under the new name of the Transition Central team to support the Transition GE and GM.

Outcome Measures will continue to be tracked during the Transition Period and associated target thresholds have been refreshed, with the expectation that these will cease at the end of this phase[17].

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[17] Notably, following Transition, Westpac intends to continue utilising measures for tracking and reporting through BAU mechanisms.

7.1.2. Focus Areas

Five Focus Areas have currently been identified by Westpac for further uplift and maturation. These are:

- Focus Area 1 – Risk Culture: this involves further maturing risk culture practices to support effective risk management and progress towards the target state of 'proactive' risk management. Focus Area 1 pertains to uplifts delivered in Workstream 3.

- Focus Area 2 – Risk in Change for Transformation: this involves maturing practices for RiC through optimising governance documents, improving predictive consideration of delivered risk, and developing repeatable methods to consider upstream and downstream impacts of delivered risk. Focus Area 2 pertains to uplifts delivered in Workstream 7.

- Focus Area 3 – Coordinated Assurance: this involves introducing historical perspectives as a component to coordinated assurance planning and developing an approach to assess the effectiveness of the assurance approach. Focus Area 3 pertains to uplifts delivered in Workstream 11.

- Focus Area 4 – Effectiveness of second line and Group-wide risk management capability: this involves continuing to strengthen the 'voice of risk', evidencing consistent challenge, and completing the ongoing Group Technical Risk Capability Roadmap. Westpac is still to confirm what actions will be taken to address the deficiencies identified with the capacity and capability assessment of Line 2. Focus Area 4 pertains to uplifts delivered in Workstream 6.

- Focus Area 5 – Uplift risk management maturity in the first line: this involves improving consistency in Line 1 risk management practices, integrating Group functions within LoB value chains to provide transparency in the end-to-end risk and control environment, and continuing to optimise the Group's control environment. Focus Area 5 pertains to uplifts delivered in Workstream 10.

The selection of the Focus Areas took into consideration challenges during delivery, the length of time available to embed uplifts during CORE, criticality for effective and sustainable risk management, overall complexity, and feedback from key stakeholders.

Westpac has acknowledged the importance of ensuring Focus Areas are fit for purpose in achieving the intended outcomes of the Transition and will continue to consider the appropriateness of its Focus Area selection.

7.1.3. Validation

As noted above, Workstreams have been retitled as Domains to reflect Westpac's shift away from the CORE Program structure and into BAU. The Validation process will seek to confirm that the uplifts delivered within each Domain continue to be sustained, effective and

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continuously improved. Where possible, the Deliverables comprising each Domain will be grouped for Validation to reflect the interconnectedness of activities in BAU.

Validation consists of two parts conducted in series:

- Domain Self-Assessment: each Domain GM will conduct a self-assessment to confirm that the uplifts delivered under CORE for their respective Domain continue to be sustained, effective and continuously improved. Relevant metrics and evidence will be provided, as well as the results of any assurance reviews conducted (e.g., Audit Reports).

- Validation Review: the Transition GM will review the self-assessment and any other additional data points deemed necessary to form an independent view of whether the self-assessment is accurate and that the uplifts delivered under CORE have been sustained, effective and continuously improved.

The Validation process will occur progressively throughout calendar year 2024, beginning with two pilot assessments conducted over Domains that had been delivered early in the CORE Program (Domain 5: Remuneration and Consequence Management; and Domain 12: Compliance Management), with lessons learned from the pilot assessments used to mature the process for future iterations.

Any gaps identified during the Validation process will be reported to the Group RiskC and BRiskC for oversight and will need to be addressed by the associated Domain GE and GM.

7.1.4. Promontory's Role

Promontory's role throughout the Transition Period is twofold:

- We will provide assurance over the delivery of the Focus Area Plans to confirm that they are effective, sustainable and contribute to the achievement of their relevant Focus Area Objective.

- We will provide assurance over the Validation process through independent procedures to form a view of whether the uplifts delivered under CORE have been sustained, effective and continuously improved.

7.1.5. Potential Challenges and Risks

As Westpac moves from a program construct into BAU and the scaffolding that supported CORE is removed, there will inevitably be some challenges in ensuring that what has been delivered under the Program will 'stick and stay'. We note the following key challenges for Westpac to consider as it undertakes the Transition Period.

Sharpening the objectives of the Transition Focus Areas

The Transition Focus Areas constitute additional work in certain areas to mature the practices delivered under the CORE Program. Naturally, there will always be a need for continuous

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improvement in risk practices, but the Focus Areas represent more immediate and targeted areas for further uplift, additional to the expected maturity journey that many of the changes through CORE will continue to undergo as they become further entrenched into BAU practices.

The selection of the Focus Areas occurred in late 2023, and there is now an opportunity to realign them to those areas that specifically need targeted attention and uplift, taking into consideration the outcomes of Promontory's recent Final Assessments.

In addition to settling the selection of Focus Areas, sharpening the intended objective of each one will facilitate successful delivery. Clearly articulating the outcomes and additional maturity expected by the end of the Transition Period, after completing the uplift work, will set strong guardrails. Specifically, this means stepping back from what has been delivered and meaningfully considering the intended objectives of the Focus Areas. The temptation to layer on multiple initiatives without a clear articulation of how they will 'shift the dial' in further progressing towards the five Program Target States should be avoided. The Focus Areas are an important opportunity for Westpac to be deliberate, targeted and critical by limiting initiatives to actions that will drive clearly articulated and meaningful change. By the end of the Transition Period, Westpac should be able to clearly demonstrate further progress toward the relevant Program Target States.

Delivering within a significant change agenda

Westpac has worked through an important period of intense focus and uplift over CORE. The Bank will again see a period of significant change over the coming years, of which the Transition will comprise only a part.

With the Unite program, amongst others, operating in parallel with the Transition, it will be important that the Transition continues to receive a firm commitment from the organisation against the backdrop of its broader change agenda. This will be particularly important in the context of the Transition's largely BAU delivery model.

Ensuring that there is a compelling case for the Focus Area Plans and Validation process will be important to support its prioritisation across the business. With CORE achieving formal completion after three years of significant effort where change fatigue was an ever-present risk, all senior leaders at Westpac, together with the oversight of the BRiskC, will continue to play a vital role to keep the organisation engaged. Clear and targeted objectives for the Transition Period will be a key enabler in this context.

Embedding consistent risk outcomes across the business

CORE has set out heightened expectations around risk management and provided the critical risk infrastructure to deliver on those expectations. While risk infrastructure is paramount, the effectiveness of outcomes is reliant on the capability of Westpac's people and how effectively and consistently processes are utilised.

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The BCM Chapter, a community of practice supported by formal structures such as SOAs and resourcing, is charged with further strengthening Line 1 risk management capability and improving consistency of risk practices. In order for the BCM Chapter to fulfil this mandate and enable further embedment and long-term sustainability beyond the Transition, it is imperative that the BCM Chapter is set up to succeed. This will require support from leaders across the organisation, including supporting the prioritisation of the BCM Chapter's initiatives and championing their cause through risk committees and governance forums.

Westpac's Line 2 function plays an important role in identifying practices that require further uplift and maturity. Continued assessment, maintenance and development, where needed, of their required risk capabilities will be key in supporting the overall effectiveness of Westpac's risk governance.

7.2. The Path Forward

As Westpac matures its risk governance practices through the Transition Period and beyond, it will need to ensure that the cultural and structural foundations for success are kept front of mind. In this light, there are several key themes that in the longer run, should help the Bank to sustain the uplifts to risk management and continue to evolve and improve culture, governance and accountability.

7.2.1. Leadership

The success of CORE required a deep commitment to changing Westpac's governance, culture and accountability practices. Key to driving this change was the 'tone from the top'. For the changes to be sustainable into the future, Westpac's Board and Executive leadership should continue to demonstrate their commitment to effective risk governance and ongoing improvements. Given recent changes in both the Board and Executive, there is an opportunity now that CORE is completed to provide renewed commitment to proactive risk governance, with a refreshed focus on customer outcomes and the Bank's strategic imperatives.

CORE has provided the Board and senior leaders with a consistent framework and narrative to lead the next phase of Westpac's ongoing transformation, providing a firm foundation for senior leaders to 'walk the talk' of effective risk management. Throughout CORE we observed senior leaders demonstrate active consideration and challenge of the organisation's risks in the Group's governance committees. These behaviours will need to continue if senior leaders are to support consistent and effective risk management in the long term. An ongoing program of organisation-wide communications and active engagement will help drive this objective.

In combination with these practices, it will remain important that the leadership is alert to the risk that past problematic cultural traits re-emerge. This starts with the Board and Executive and extends throughout Westpac's leadership. A keen eye for the re-emergence of a 'good news' bias in reporting and discussing issues and risks will be necessary during the Transition and beyond. This can be facilitated by continuing to foster an environment where managers and front-line staff feel comfortable to raise risks, challenge and question. The much stronger

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focus on accountability brought about through CORE should remain now that the Program has closed.

7.2.2. Continuous Improvement

As noted earlier, the conclusion of CORE is not the end of Westpac's efforts to uplift risk governance. Rather, the foundations established through CORE provide the basis for ongoing improvement. In the context of the current external operating environment, to stand still is to fall behind.

A mindset of continuous improvement is important not just for effective risk management, but in all organisational capabilities that seek to improve customer outcomes. Recognition of the need for continuous improvement is already being demonstrated through Westpac's sharing of lessons across the Group and heightened expectations around root cause analysis. Future improvements in Westpac's risk practices will need to consider the risk ecosystem on an end-to-end basis to identify what is operating effectively and where there are opportunities to improve.

Importantly, continuous improvement is not about just adding more to existing frameworks and processes. Part of ongoing improvement is taking opportunities to simplify and streamline infrastructure and policies, which in turn helps reduce inherent risk and clarify accountabilities. This is particularly important for Westpac in the context of its legacy cultural trait of cultivating complexity. Similarly, continuous improvement should not be change for change's sake. Unnecessary tinkering with newer practices should be avoided to allow time for the organisation to mature and embed improved ways of working.

7.2.3. Risk is Everyone's Business

One of Westpac's challenges in uplifting risk governance was a lack of clarity around accountability and a tendency to see risk as someone else's problem. One of the key outcomes of CORE has been to substantially embed the ethos that managing risk is a feature of everyone's job. Risk considerations are now largely 'normalised' within the day-to-day operations of the Bank, rather than a separate agenda item at governance forums or abrogated as 'someone else's responsibility'. Senior leaders deserve credit for driving this message throughout the organisation.

The next stage of maturity will require this message to be further embedded within the middle management layer to help address its historical reticence towards engaging with risk. To achieve this, focus will need to be placed on supporting middle management to feel comfortable in assuming greater responsibility for decision making and empowering them to exercise judgement through higher levels of capability and systems support.

Developing a culture that encourages healthy behaviours toward managing risk is critical in the financial services industry. Communications and in-person forums, such as the Navigate sessions, have been effective at embedding risk management within the organisation, particularly those where senior leaders were able to demonstrate the challenges they faced

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and share lessons learned. Ongoing evolution will require this to extend beyond special purpose sessions to senior leaders identifying day-to-day 'roadblocks' that may limit the organisation from demonstrating desired behavioural traits such as decision making, curiosity, ownership, and the ability to constructively challenge.

Ongoing investment in individual capability should also help to improve engagement with risk management throughout the organisation. The infrastructure developed under CORE has provided the organisation with robust guidance and tooling for risk management and higher levels of people capability should serve to unlock further value from these uplifts. Further improvements in people capability should also help to empower staff in exercising judgement and continue to shift away from administratively-focused approaches to risk.

7.2.4. Maintaining the 'why'

The closure of CORE presents challenges of how to retain within corporate memory both the reasons and lessons of the Program, as well as the aspirations that Westpac has for risk governance. It is not uncommon in the aftermath of a transformation for messages to be overtaken by other priorities or slowly lost through organisational turnover. In this light, Westpac will benefit from careful consideration of how best to ensure that the outcomes delivered through CORE are sustained and embedded within its 'organisational DNA'.

Critical to ingraining the outcomes of CORE within the Group will be demonstrating how the Program deliverables drive better results for Westpac's customers and its people. This is the 'why' of what has been delivered. Key to this demonstration will be the metrics, evidence, examples and lessons coming through the confluence of communications and leader-led action. Organisational communications should continue to foster Westpac's values and desired behaviours. Overall these mechanisms should aim to elevate the 'why' beyond individuals and embed it within the organisation's ongoing value proposition.

Westpac's Unite program to simplify its technology stack and operational processes is imperative for the organisation to improve customer outcomes and to reduce the inherent risk of operations. The program is ambitious and will be a timely test of the improvements made to the organisation through CORE and an opportunity for Westpac to demonstrate that CORE has been effectively embedded within the organisation.

The value of demonstrating outcomes can already be seen through Westpac's ability to more proactively identify and manage its risks, its greater focus on speaking up and asking 'Should We?', its sharing of lessons across the Group and its continually improving interactions across the 3LoD. Continuing to embed these benefits on a day-to-day basis will help Westpac shift further towards a proactive risk culture. It is time now to 'look up and out', beyond the fix agenda, to focus more strategically on the practices and behaviours that will help drive better risk and customer outcomes.

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8. Appendix A

8.1. The Root Causes and Target States

Described in the tables below are the Root Causes and the risk governance Target States identified by Westpac.

Root Cause	Description
An immature and reactive risk culture	The awareness and understanding of risks and obligations has been inconsistent and the approach to managing risks has not been sufficiently proactive. Contributory behavioural traits include a tendency to focus on individual issues rather than broader shortcomings and inconsistent challenging of assumptions from a risk perspective. These Cultural traits have contributed to continued shortcomings in important elements of Westpac's culture, governance, accountability, frameworks and practices.
Organisational construct that creates complexity	Aspects of the organisational design, including unclear end-to-end accountability, create complexity. This introduces inconsistency in the way the risk is managed across the Bank and impedes an ability to quickly and accurately form an organisation-wide view of issues. This is exacerbated by the complexity of the technology and data environment.
A three lines of defence model that is not well understood or embedded	Westpac's three lines of defence model has not been consistently understood and embedded. This has blurred boundaries and meant some things 'fall through the cracks' as roles, responsibilities and accountabilities can be unclear. These issues have been particularly evident in First Line where stronger ownership of risks and outcomes is required.
A shortfall in risk management capacity and capability	In some areas, Westpac employees have not had sufficient capability to manage risk and compliance obligations effectively. Furthermore, adequate management of risk is hampered by insufficient risk management tools, inadequacies in documentation, limitations in data quality and incomplete understanding of end to end value chain and business processes and how accountabilities interact.
Challenges in execution and 'staying the course'	Westpac's tendency to privilege conceptual work over execution creates challenges in effective risk management and execution of change. This can result from insufficient discipline in prioritising, a tendency to focus on conceptualisation over embedding, and undue caution which has been described as an organisational imperative for safety. Root causes are not sufficiently understood to enable appropriate activity definition and timelines to ensure execution rigour. This is reflected in insufficient urgency of follow through in activities that are undertaken not sustainably addressing risk and control deficiencies. Remuneration and consequence management do not sufficiently enforce or encourage disciplined execution of outcomes.

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Program Target State	Description
We are a well run business where risk is actively managed	We are outward looking and actively look for the implications of our changing environment and for how to do things better. We are open to challenging the status quo. We take an enquiring mind if there is information or data which is not consistent with existing assumptions. This is regularly reinforced by the Executive who demonstrate leadership of those traits. We have a culture which is actively overseen and supported by the Board, where people proactively take end-to end ownership of identifying and managing risks and obligations in their everyday work. We always have our customers interests at the heart of what we do and how we think. We look beyond individual issues and the broader shortcomings, and constructively challenge assumptions from a risk perspective, supported by data and insights.
A simplified organisational construct with clear accountabilities	Our organisational design is simplified and allows our people to clearly understand their roles and end-to-end accountabilities. This enables us to quickly and accurately form a holistic view of issues across the Bank and to manage risks in a consistent way. We have rationalised businesses and products which are not delivering adequate return for the risk and complexity these add.
Three lines of defence is understood and embedded	We have clear delineation of roles, responsibilities and accountabilities between Line 1, Line 2 and Line 3 which is commonly understood and embedded across the Bank. Each Line of Defence takes strong ownership of risk outcomes within their roles. Any perception of ambiguity or a lack of clarity is proactively resolved. Leaders reinforce the design and objectives of the 3LoD model.
Our people understand risks and pro-actively manage them	Our people have the necessary capabilities, tools and understanding of end-to-end value chain and business processes to effectively monitor and manage financial and non-financial risk and compliance obligations across Westpac. We seek out and listen to constructive challenge or different perspectives. We consider the risk of action vs the risk of inaction in the short and longer term.
We're known for execution excellence and getting it done	We have a culture and practice of doing what we say we will do, enabled by a determination to make things better through addressing root causes, effective prioritisation, keeping things simple, and a bias towards action supported by an effective incentive structure. We adopt a culture of urgency in understanding and addressing risks and issues. We focus on quality in designing solutions including pragmatism in execution and sustainable embedment.

9. Appendix B

9.1. Introduction - Workstream Assessments

As at the Reporting Date, Promontory has assessed and closed all 354 Activities and 83 Deliverables comprising the Program. Of the 354 Activities, 348 were assessed as complete and effective. Six activities requiring demonstration of further maturity and uplift form part of Westpac's Transition Period.

In this Appendix we provide an overview of the Activities and Deliverables comprising each Workstream, and for those that were assessed during the Reporting Period, a summary is also provided.

9.2. Board Governance Theme

As at the Reporting Date, all 30 Board Governance Theme Activities were assessed as complete and effective.

9.2.1. Workstream 1 – Board Risk Governance (WS1)

This Workstream has nine Deliverables consisting of 30 Activities. As at the Reporting Date, this Workstream was closed as complete and effective.

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

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

Table 9.2: WS1 Deliverables

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

Assessment of Deliverable 1.1

Deliverable 1.1 relates to Board direction on strategy and enterprise investment prioritisation. The Board is to provide continued oversight of strategy and enterprise investment prioritisation, with relevant input from Board Committees and senior management (as appropriate).

Activity 1.1.3

Embed Activity 1.1.3 required Westpac's Board to provide continued oversight of strategy via the annual Board Strategy Review (**BSR**) and enterprise investment prioritisation via the annual financial target setting, with input from Board Committees, senior management, and ongoing CFO/GTO reporting. The Board/Board Committees were to consider, test and challenge information and recommendations from management. Additionally, the BRiskC provides oversight of the Group's Risk Appetite Statement (**RAS**) and a view on management's assessment of the Group's key risks, including emerging risks, to the Board, to inform enterprise investment prioritisation decisions. The Board is to consider the Group's key risks in providing their direction on enterprise investment prioritisation.

Under this Activity, management utilised four primary mechanisms to facilitate the Board's oversight. These included the annual BSR workshop, financial target setting for the Group, the half-year strategy workshop for ongoing oversight of the Group's strategy and management reporting which comprises reports from the CEO, CSO, CFO and CRO.

After reviewing the Closure Pack for this Activity, Promontory requested a copy of the most recent Capital Investment Plan BSR Paper. We were particularly interested in understanding the latest strategy update and management's explanation on investment allocation driving improved performance.

Based on our assessment of the Closure Pack and additional documentation we received, we concluded that the Board has provided continued oversight of strategy via the annual BSR and enterprise investment prioritisation via annual Board financial target setting, with relevant input as appropriate. BRiskC has provided oversight of the Group's RAS and provided a view on the Group's key risks, including emerging risks, to the Board to inform enterprise investment prioritisation decisions.

Deliverable 1.1

As part of this Deliverable, Westpac provided Sustainability Principles to ensure maintenance of the Target State on an ongoing basis.

After reviewing this Deliverable and associated Activities, Promontory assessed that the Sustainability Principles are operating effectively to support the maintenance of the Target State, in particular, through the continued oversight by the Board that we have observed at the Board meetings attended.

Assessment of Deliverable 1.3

Deliverable 1.3 required the Board to approve RAS and provide ongoing oversight of Group and Divisions managing their risks within appetite.

Deliverable 1.3

As part of this Deliverable, Westpac provided the approved updated RAS Policy via Activity 8.2.5. The updated RAS Policy includes improved detail and focus on the management of 'Red' and 'Amber' RAS Measures. Through the reporting of the Board RAS to the BRiskC, there was significant improved transparency of status reporting for remediation plans and return to appetite timelines. This facilitated the BRiskC's continued oversight of the Group's RAS, including out-of-appetite risks through the Group's Risk Appetite Dashboards.

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles are operating effectively to support the maintenance of the Target State. In particular, through our observations at Board meetings we saw how the improvements facilitated focus on out-of-appetite risks.

Assessment of Deliverable 1.4

Deliverable 1.4 required the BRiskC and Board to review and provide continued oversight of Westpac's risk culture.

Activity 1.4.4

Embed Activity 1.4.4 required the BRiskC and Board to provide continued oversight of management's implementation of the Group's risk culture program (at the Divisional level), including progress to improve risk culture maturity profiles and identified improvement areas (in the Divisions), in addition to the annual review of the Risk Culture Framework.

Under this Activity, the BRiskC discussed and challenged the view of Westpac's risk culture through a biannual Risk Culture and Conduct Deep Dive presented by management. The BRiskC tested and challenged the progress made by Divisions, assessed the Risk Culture Self-Assessment results and noted the Board's risk appetite metrics relating to risk culture. Discussion also extended to progress against the desired target of a 'proactive' risk culture, the execution of Risk Culture Deep Dives, and the ongoing deployment of risk culture tools and capabilities under the Program's risk culture workstream.

In late 2023, the BRiskC reflected on the totality of insights provided through the risk culture processes, tools and reporting, as well as progress toward desired behaviours. In light of the information, the BRiskC endorsed a Group wide risk culture action plan to provide a more strategic and Group wide set of priority actions.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the resources to support the associated risk culture activities, and the interconnection with Westpac's remuneration and consequence frameworks.

Based on our assessment of Closure Pack and the additional information we received, we concluded that Westpac had demonstrated that the BRiskC and Board have provided oversight of Westpac's risk culture, progress made by Divisions in implementing the Group's Risk Culture program and the annual review of the Risk Culture Framework.

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Deliverable 1.4

As part of this Deliverable, Westpac leveraged the processes and tools developed under the Risk Culture Workstream to improve the insights and reporting to the BRiskC and Board. As a result, the BRiskC was presented with enhanced reporting, comprising quality insights and context to enable regular discussion of the Risk Culture Maturity Self-Assessment and progress against the Group's Risk Culture Program. The reporting and cadence also facilitated regular discussion and oversight of the Group's risk culture through the Risk Culture Dashboard and action plans.

After reviewing this Deliverable and associated Activities, Promontory assessed that the sustainability principles are operating effectively to support the maintenance of the Target State. Promontory also notes the links to the Risk Culture related uplift activities and the ongoing connection between those uplifts and the Board's oversight of Risk Culture at Westpac.

9.3. Culture and Capability Theme

As at the Reporting Date, all 116 Culture and Capability Theme Activities were assessed with 110 assessed as complete and effective.

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

This Workstream has five Deliverables consisting of 15 Activities. As at the Reporting Date, this Workstream has been closed as complete and effective.

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.

Table 9.3: WS2 Deliverables

#	Deliverable	Total Closed Activities
2.1	Executive leadership culture and practices	3
2.2	Performance Management and Recognition Platform	3
2.3	Culture Measurement	3
2.4	Executive Capabilities	3
2.5	Strengthening the application of the Motivate framework to actively manage under performance and developing	3

#	Deliverable	Total Closed Activities
	leadership skills on performance management (GM and GM1 as required)	
	Total	15

9.3.2. Workstream 3 – Risk Culture (WS3)

This Workstream has four Deliverables consisting of 26 Activities. As at the Reporting Date 22 of 26 Activities under this Workstream have been closed as complete and effective. Four Activities were closed as complete, with further work to be undertaken during the Transition Period.

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.

Table 9.4: WS3 Deliverables

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

Assessment of Deliverable 3.1

Deliverable 3.1 required Westpac to establish the RCF including a definition of the desired risk culture, roles and responsibilities for risk culture across the 3LOD, endorsed by the Group RiskC and BRiskC

Activity 3.1.6

Embed Activity 3.1.6 required Westpac to embed the Risk Culture Framework (**RCF**) and the governance mechanism to maintain and enhance the RCF, and to conduct a post implementation review (**PIR**) to identify any improvement areas.

Westpac provided evidence that an RCF has been established with articulation of roles and responsibilities for measuring, monitoring and managing risk culture. The RCF has been updated to address results of PIRs, and changes have been communicated internally.

Evidence was also provided to show reporting to BRiskC of Group-wide thematic insights based on measurement and monitoring activities (including the Risk Culture Dashboard, Risk Culture Self-Assessment, Risk Culture Deep Dives and Annual Review of Risk Culture Action Plans), most recently in November and December 2023. Promontory also observed various Divisional, Group and Board level Risk Committee discussions about risk culture. In addition, Divisions continue to identify and manage risk culture initiatives as part of their Divisional Action Plans.

In Promontory's view, the operationalised RCF including the Dashboard, Self-Assessment and Deep Dives (see Activities 3.2.5, 3.3.9 and 3.4.6 respectively) contribute toward maturing Westpac's risk culture.

Based on our assessment of the Activity Closure Pack, the meetings observed and the additional documentation we received, we concluded that the Westpac has embedded the RCF and the governance structure to maintain and enhance the RCF. Whilst this Activity is complete, there has been a short period of embedment in particular with respect to the practical use of Group-wide thematics, and additional time is needed to demonstrate ongoing maturity.

Deliverable 3.1

Westpac developed and operationalised the RCF which defines the desired risk culture and sets out the roles, risks and responsibilities for risk culture across the 3LOD. The RCF is supported by processes and tools to help identify cultural strengths and areas for improvement, which the Divisions utilise as part of their action planning activities. The RCF has been endorsed by the Group RiskC and BRiskC.

After reviewing this Deliverable and the associated Activities, Promontory assessed this Deliverable as closed. Whilst the Sustainability Principles have been operationalised and are operating effectively, additional time is required to demonstrate ongoing maintenance of the Target State. Westpac acknowledges the need for further work and ongoing maturity, and this is the subject of a Focus Area during the Transition Period. Through the further uplift initiatives and ongoing maturity of practices, Promontory expects Westpac to demonstrate progress toward its desired Target State of a 'proactive' risk culture.

Assessment of Deliverable 3.2

Deliverable 3.2 required Westpac to establish a Risk Culture Dashboard (**RCD**) enabling a consistent approach to measuring, monitoring and reporting on risk culture.

Activity 3.2.5

Embed Activity 3.2.5 required Westpac to establish a process to review usage of the RCD by Divisions and continuously enhance the dashboard, including through a post implementation review.

Westpac provided evidence that the Risk Culture team developed a process to review the usage of the RCD monthly by requesting, storing and reviewing a usage report produced by the SIP Team and, were appropriate having the relevant Divisional Risk Culture Partner follow up with the Division where the Dashboard has not been accessed in two months.

Westpac also provided evidence that the Risk Culture Team has produced an annual continuous improvement review processes for the risk culture tools and activities delivered under Workstream 3, including the RCD. This process was followed to introduce functionality to the Risk Culture Dashboard allowing comparisons between multiple business areas and alerts for when key metrics meet a threshold.

Promontory observed a number of Divisional Risk Committees where the Dashboard is reported and reviewed Activity documentation. We requested further information on the variation in the reporting of the RCD across Divisions and how it informs and improve action planning.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that the Westpac has established and operationalised tools and processes for measuring, monitoring and reporting on risk culture, including at Divisional, Group and Board Risk Committees. Whilst this Activity is complete, there has been a short period of embedment and additional time is needed to demonstrate ongoing maturity.

Deliverable 3.2

Westpac developed and operationalised the RCD which includes a minimum set of four key risk culture metrics. There is an established framework, supported by processes and tools to help identify strengths and improvement areas, used by Divisions as part of their action planning.

After reviewing this Deliverable and the associated Activities, Promontory assessed this Deliverable as closed. Whilst the Sustainability Principles have been operationalised and are operating effectively, additional time is required to demonstrate ongoing maintenance of the Target State. Westpac acknowledges the need for further work and ongoing maturity, and this is the subject of a Focus Area during the Transition Period. Through the further uplift initiatives and ongoing maturity of practices, Promontory expects Westpac to demonstrate progress toward its desired Target State of a 'proactive' risk culture.

Assessment of Deliverable 3.3

Deliverable 3.3 required Westpac to establish an annual risk culture self-assessment (**RCSA**) process through which Divisions could identify gaps and take actions to collectively improve Westpac's risk culture.

Activity 3.3.9

Embed Activity 3.3.9 required Westpac to perform the FY23 RCSA and for Divisions to demonstrate that they continue to identify areas for improvement and monitor and manage risk culture actions under their respective plans.

Each Division completed the FY23 RCSA and that results were collated to inform a Group-level self-assessment. This produced an overall 'Systematic' rating of 3.5, an improvement on the FY22 result of 3.3 (also 'Systematic').

Divisions developed action plans to address identified areas for improvement, supported by an annual review of the resultant risk culture divisional action plans by the Risk Culture Team. The Team observed continued opportunities to improve the planning process.

Feedback from all participating teams was collected and a continuous improvement pipeline developed. Feedback centred on the tight timelines for the RCSA process and improved consistency in measurement criteria. Greater Line 2 oversight as teams develop actions was also noted.

Promontory conducted a number of interviews with the Risk Culture Team and some participating Divisions, and reviewed Activity documentation.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that Westpac has established and operationalised tools and processes for undertaking the annual RCSA, including identifying insights which can be utilised by the business for developing actions. Whilst this Activity is complete, there has been a short period of embedment and additional time is needed to demonstrate ongoing maturity.

Deliverable 3.3

Westpac developed and operationalised the RCSA process which includes consistent measurement criteria and the collation of results into a Group-level assessment. There is an established framework, supported by processes and tools to help identify cultural strengths and areas for improvement, which the Divisions and the Group as a whole utilise as part of their action planning activities.

After reviewing this Deliverable and the associated Activities, Promontory assessed this Deliverable as closed. Whilst the Sustainability Principles have been operationalised and are operating effectively, additional time is required to demonstrate ongoing maintenance of the Target State. Westpac acknowledges the need for further work and ongoing maturity, and this is the subject of a Focus Area during the Transition Period. Through the further uplift initiatives

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and ongoing maturity of practices, Promontory expects Westpac to demonstrate progress toward its desired Target State of a 'proactive' risk culture.

Assessment of Deliverable 3.4

Deliverable 3.4 required Westpac to establish a risk culture insights program. This included conducting independent deep-dives across the Group, identifying key risk culture strengths and areas for improvement, and recommendations are provided to the relevant business area for actioning.

Activity 3.4.6

Embed Activity 3.4.6 required Westpac's risk culture team to continue undertaking the deep dive insights program and to evidence outcomes. Areas for improvement were also to be identified and reported to the Divisional Risk Committees.

Westpac provided evidence that the Risk Culture team conducted nine Risk Culture Deep Dives (**RCDDs**) throughout FY23 across selected areas. The insights for the RCDDs were drawn from interviews and focus groups, desktop reviews and sessions with relevant leadership teams. Each RCDD resulted in a report to the relevant Divisional RiskC, a playback session with the business team to present insights and discuss questions. Group wide thematic insights reported to the Group RiskC in October 2023 and to the BRiskC in November 2023.

Feedback from participating teams was collected and a continuous improvement pipeline developed. Feedback predominantly centred on providing greater guidance and support for participating teams to turn RCDD insights into actions. Greater Line 2 oversight as teams develop actions was also noted.

Promontory observed a number of RCDD playback sessions and reviewed Activity documentation. We requested further information on the governance of the continuous improvement processes and how capability in the Divisions will be developed to improve action planning.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that the Westpac has established and operationalised tools and processes for undertaking the RCDD program, including identifying insights which can be utilised by the business for developing actions. Whilst this Activity is complete, there has been a short period of embedment and additional time is needed to demonstrate ongoing maturity.

Deliverable 3.4

Westpac developed and operationalised the RCDD program for independent deep dives across the Group. There is an established framework, supported by processes and tools to help identify cultural strengths and areas for improvement, which the Divisions utilise as part of their action planning activities.

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After reviewing this Deliverable and the associated Activities, Promontory assessed this Deliverable as closed. Whilst the Sustainability Principles have been operationalised and are operating effectively, additional time is required to demonstrate ongoing maintenance of the Target State. Westpac acknowledges the need for further work and ongoing maturity, and this is the subject of a Focus Area during the Transition Period. Through the further uplift initiatives and ongoing maturity of practices, Promontory expects Westpac to demonstrate progress toward its desired Target State of a 'proactive' risk culture.

9.3.3. Workstream 4 – Organisational Design (WS4)

This Workstream has four Deliverables consisting of 21 Activities. As at the Reporting Date, this Workstream has been closed as complete and effective.

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.

Table 9.5: WS4 Deliverables

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

9.3.4. Workstream 5 – Remuneration and Consequence Management (WS5)

This Workstream has three Deliverables consisting of 17 Activities. As at the Reporting Date, this Workstream has been closed as complete and effective.

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.

Table 9.6: WS5 Deliverables

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

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

This Workstream has eight Deliverables consisting of 37 Activities. As at the Reporting Date 35 of 37 Activities under this Workstream have been closed as complete and effective. Two Activities were closed as complete, with further work to be undertaken during the Transition Period.

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 Risk Management Framework (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).

Table 9.7: WS6 Deliverables

#	Deliverable	Total Closed Activities
6.1	Organisational structure in the Second Line	7
6.2	Risk capacity across the 3LoD	5
6.3	Risk capability in the Second Line	4
6.4	Risk capability in the First Line	6
6.5	Risk capability assessment	3
6.6	Risk Fundamentals	4
6.7	Risk Knowledge Management Chatbot ('Risk Assist')	5
6.8	Risk reporting tools and capabilities	3
	Total	37

Assessment of Deliverable 6.1

Deliverable 6.1 requires the establishment of a 3LoD Second Line operating model.

Activity 6.1.5

Embed Activity 6.1.5 required Westpac to assess the effectiveness of the Second Line operating model to support organisational LoB and Divisional constructs.

Under this Activity the Second Line Operating Model was reviewed against, and aligned to, the Group Operating Model Framework, Risk Management Framework (**RMF**), and 3LoD model. 'Westpac Ways of Working' was incorporated into the Risk Function to enable more effective execution and for alignment with the Group Operating Model Framework.

A Second Line Operating Model PIR survey was conducted in March 2023 and changes were made to the Risk Leadership team to simplify the organisational structure and provide greater clarity on the role of Line 2.

After reviewing the Closure Pack for this Activity, Promontory requested further information as to how effectiveness of the Second Line operating model is being measured and details of continuous improvements made. Promontory requested a discussion with the Workstream lead to cover these aspects.

In assessing the effectiveness of the Second Line operating model, Promontory noted that the second line should closely monitor to ensure that the Business Controls Monitoring (**BCM**) teams, as part of the support provided to Line 1, do not inadvertently take on the role of risk profile owners. There is a need to consistently ensure risk ownership by business leaders, supported by BCM teams, with Line 2 providing the appropriate review, challenge and influence.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac had assessed the effectiveness of the Second Line operating model to support organisational LoB and Divisional constructs, and the Line 2 organisational structure largely operates in line with the target LoB operating model.

Activity 6.1.6

Embed Activity 6.1.6 required assessment of the effectiveness of in scope 3LOD activity transfers by conducting PIRs, and to embed findings into BAU process for future activity transfers.

As a result of completing this activity there is an established process, which enables activity transfers between the lines of defence to be completed consistently with relevant factors considered.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the analysis and outcomes of the PIR feedback. We also queried the mechanisms to ensure that the activity transfer process remains up-to-date, including accountabilities for the planning, implementation, and ongoing management of transferred activities, governance and consequence management (if required).

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac had taken appropriate steps to embed an effective Activity Transfer Process for future activity transfers.

Deliverable 6.1

As part of this Deliverable, Westpac reviewed and ensured alignment of the Second Line Operating Model with the Group Operating Model Framework, RMF, and 3LoD model. The 3LOD operating model is well established and the Second Line has been fully adapted to the Group's LoB operating model. Activities are clearly delineated between the First and Second Line and are transferred as required.

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

Assessment of Deliverable 6.2

Deliverable 6.2 required the establishment of a capacity assessment methodology across the 3LoD and for the Second Line risk function to have sufficient capacity in specialist risk roles.

Activity 6.2.5

This Activity required Westpac to embed the capacity assessment methodology across the 3LoD to support annual planning processes including reporting outcomes to relevant risk committees.

Two biannual risk capacity assessments were conducted across the Divisions, utilising the Risk Management Framework Maturity Assessment (**RMFMA**) and processes. The Divisional results were presented at relevant risk committees, aggregated at the Group level and presented at the BRiskC.

Based on our assessment of the Activity Closure Pack, observing at Board meetings and our engagement with various stakeholders across the Group, we concluded that Westpac has embedded the risk capacity assessment process. Whilst this Activity was assessed as closed, we note that areas relating to 2LoD capacity and capability assessments require further uplift during the Transition Period.

Deliverable 6.2

As part of this deliverable, Westpac conducted Divisional assessments on a biannual basis to identify gaps in capacity across the 3LoD and developed remedial actions. The risk capacity assessment was embedded as a regular BAU process via the RMFMA.

In our assessment of this Deliverable, Promontory noted that further work is required through the Transition Period to improve the effectiveness of the assessment process particularly as it relates to the Second Line Risk Function.

On that basis, after reviewing this Deliverable and associated Activities, Promontory has assessed that the sustainability principles have been operationalised, however further maturity is required to support the maintenance of the Target State.

Assessment of Deliverable 6.3

Deliverable 6.4 required Westpac to update the Risk Capability Framework, and design and deliver risk training to the Second Line.

Activity 6.3.4

Embed Activity 6.3.4 required Westpac to assess risk training effectiveness and amend the Risk Division Learning Plan if required, in consideration of the risk capability assessment (Deliverable 6.5).

Westpac deployed the Risk Function Annual Learning Plan Process standard operating procedure intended to identify capability needs across the risk function. Outputs from the RMFMA were also utilised to inform the development of the annual Risk Division Learning Plan.

The Group Capability Framework (**GCF**) was extended to cover the Risk Function and to include the critical, technical, professional and leadership capabilities required. Governance frameworks and processes were also enhanced to support the development of the Risk Division Learning Plan.

After reviewing the Closure Pack for this Activity, Promontory requested further information on insights from the Risk Division RMFMA results, and to better understand the framework for assessing learning effectiveness and development of the Annual Learning Plan.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that Westpac has effective mechanisms in place to to assess risk training effectiveness and to enhance the Risk Division Learning Plan as required.

Deliverable 6.3

Westpac updated the Risk Capability Framework (now retired and replaced by the GCF) and designed additional training through the annual Risk Division Learning Plan. The annual Risk Division Learning Plan across Second Line Risk roles was implemented, and an assessment of risk training effectiveness was undertaken. The training curriculum was amended where required, in alignment with the risk capability assessment methodology per the RMFMA.

In undertaking our assessment of the Target State for Deliverable 6.3, that Second Line maintains an adequate level of risk expertise and capabilities, supported by the Risk training curriculum for all Second Line staff. Promontory's assessment of Deliverable 6.3 was on the basis that the Deliverable and the related Embed Activity were limited to developing and executing the risk function learning plan.

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

Assessment of Deliverable 6.4

Deliverable 6.4 required capability uplift in the First Line, delivered based on gap analysis against target-state guides (uplift may include training, communications, change, management recruitment, process changes).

Activity 6.4.6

This Activity required Westpac to embed a first line capability uplift assessment as a regular First Line BAU process (excluding BCM which will be assessed against the 3LOD Risk Capability Assessment methodology).

Under this Activity, all action plan initiatives to close gaps were completed. A PIR was undertaken and learnings were applied to the capability assessment mechanism, the RMFMA, which is performed at a Divisional level and for customer facing LoBs. The RMFMA was confirmed as the ongoing mechanism for capability assessment.

Based on our assessment of the Activity Closure Pack, we concluded that the Westpac has embedded first line capability uplift assessment as a regular First Line BAU process.

Deliverable 6.4

As part of this deliverable, Westpac took steps to agree foundational risk knowledge activities for front line role types, and required capability uplifts were defined, based on gap analysis against target-state guides for all agreed risk classes (financial and NFR) including Financial Crime, Operational Risk, Compliance and Conduct risk. This provided Group-wide visibility of risk class capability gaps, and progress to close the gaps was reported on a quarterly basis. The Line 1 capability assessment was embedded as a regular BAU process via the RMFMA.

In our assessment of the Target State for Deliverable 6.4, Promontory noted that there is an opportunity for Westpac to maintain momentum the gained through assessing and uplifting Line 1 capability through CORE and to further mature the capability assessments through the Transition Period.

After reviewing this Deliverable and associated Activities, Promontory has assessed that the sustainability principles have been operationalised and are operating effectively to support the maintenance of the Target State.

Assessment of Deliverable 6.5

Deliverable 6.5 required Westpac to establish the approach for risk capability assessment across the 3LoD.

Activity 6.5.3

This Activity required Westpac to embed the risk capability assessment methodology and tools for use across the 3LoD, including reporting the results to the relevant risk committees.

Under this Activity, Westpac conducted two rounds of risk capability assessment across the Divisions using the RMFMA process. The results were calibrated and presented to the Divisional Risk Committees as well as aggregated at the Group level and presented to the BRiskC. Common capability gaps were identified and remedial actions were developed.

Based on our assessment of the Activity Closure Pack, observation at Board meetings and engagement with various stakeholders across the Group, we concluded that Westpac has embedded the capability uplift assessment as BAU process. However, we noted that further uplift is required in relation assessing and monitoring capability across Line 2. Westpac recognises the need for ongoing maturity and this will form part of the work under the Transition Period.

Deliverable 6.5

As part of this deliverable, Westpac embedded the risk capability assessment methodology and approach which utilises the RMFMA infrastructure and processes. Where gaps were identified in the Divisions, remedial action plans were developed and implemented. Common capability gaps were also identified and the remedial actions included informing the Group Technical Risk Learning Plan.

In our assessment, Promontory noted that further work is required through the Transition Period to improve the mechanisms to assess risk capability across the breadth of the Second Line function.

On that basis, after reviewing this Deliverable and associated Activities, Promontory has assessed that the sustainability principles have been operationalised, however further maturity is required to support the maintenance of the Target State.

Assessment of Deliverable 6.7

Deliverable 6.7 required Westpac to embed a consistent way of disseminating and accessing risk management policy and guidance information via a chatbot, 'Risk Assist', across the 3LoD.

Activity 6.7.5

Embed Activity 6.7.5 required Westpac to embed risk management content (formerly 'Risk Assist') into Astro (Westpac's internal user chat bot) in accordance with the Astro Governance Framework.

Under this Activity, Westpac developed and added further risk management content into Astro, as well as embedding content from 'Risk Assist' into Astro.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding Astro metrics pertaining to its use across Westpac and its functionality.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac had embedded the required risk management content into Astro.

Deliverable 6.7

Westpac provided evidence of the development and embedment of risk management content into Astro, its internal chat bot. This is supported by the Astro Governance Framework which has mechanisms for the ongoing development and management of content included within Astro, and the accountabilities and governance mechanisms for the ongoing maintenance of the infrastructure for the Astro platform.

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

9.4. Transformation Capability and Delivery Theme

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

This Workstream has seven Deliverables consisting of 33 Activities. As at the Reporting Date, this Workstream has been closed as complete and effective.

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.

Table 9.8: WS7 Deliverables

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

Assessment of Deliverable 7.1

Deliverable 7.1 required enhancement of the information provided to the Board, Board Committees and Group Executive with respect to strategic and enterprise investment decisions.

Activity 7.1.4

Embed Activity 7.1.4 required Westpac to embed the revised enterprise investment prioritisation process, including reporting improvements to enable the Board and Board Committees to provide oversight of the enterprise investment prioritisation process and the alignment to the strategy.

Under this Activity, the Quarterly Business Review (**QBR**) processes were further matured. This included formalisation of the QBR process and prioritisation criteria through the Transformation Policy and Transformation Portfolio Standard. First line engagement and second line oversight and challenge also matured.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the Enterprise Marketplace and interviews with second line representatives. We were particularly interested in understanding the effectiveness of the QBR process for prioritisation, including the quality of QBR reporting.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that the enterprise investment prioritisation process is embedded and incorporates effective integration of strategic, financial, and risk and regulatory considerations. It is also supported by effective governance at the enterprise and Board levels.

Deliverable 7.1

As part of this Deliverable, Westpac provided a mapping of how Workstream 7 Deliverables, (including Deliverable 7.1) contribute to the stated Workstream Objective. Westpac also provided examples of QBR Divisional Marketplaces in response to Promontory's queries regarding interdependencies.

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

Assessment of Deliverable 7.2

Deliverable 7.2 required that enterprise change oversight provides an appropriate level of attention to risk considerations in Executive Team and CEO Marketplace meetings and transparency in funding decisions at Divisional forums.

Activity 7.2.3

Embed Activity 7.2.3 required Westpac to embed oversight processes for the consideration of risk when making funding decisions at the Enterprise level. This includes Line 2 oversight and the transparency of decisions at Enterprise and Divisional levels. PIRs were also to be incorporated to assess and improve the process.

Westpac reviewed how Line 1 had considered risks, as well as Line 2 oversight. First line representatives from across the BCM have reviewed risk profiles, risk appetite performance, issues, and incidents. Technology roadmaps have been integrated into the QBR process and Heads of Technology continued to provide input to the investment portfolio. Representatives from dCRO teams have been engaged throughout the investment prioritisation process. A PIR has been completed and an action plan developed.

After reviewing the Closure Pack for this Activity, Promontory requested further information and to observe the PMO Control Forum, the quarterly QBR retrospective, a walkthrough of the oversight process, and an interview with Line 2 representatives.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that the processes for the oversight of risk considerations in funding decisions are operational, the role of Line 2 is defined and operational, and there is transparency of funding decisions at the Divisional and Enterprise level. A PIR has been undertaken with a plan to address the recommendations.

Deliverable 7.2

As part of this Deliverable, Westpac provided examples to demonstrate how Chief Information Officers fulfil their roles through the QBR process and how technology roadmaps are considered as part of investment prioritisation and sequencing.

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

Assessment of Deliverable 7.3

Deliverable 7.3. required the establishment and embedding of frameworks, policies and other supporting artefacts for transformation governance and delivery management to enable the achievement of enterprise and divisional objectives in line with the Group's strategic priorities.

Activity 7.3.2a

Implement Activity 7.3.2a required Westpac to implement consistent and enhanced standards and tools for change delivery governance across Divisions.

Westpac revised their Transformation Policy, Transformation Policy Standard and Transformation Delivery Standard, with their rollout supported by a fortnightly forum for stakeholders to raise queries or challenges. The Group Transformation Office supported Divisions where required. Briefing sessions and communication packages supported change management at the Divisional level.

The Transformation Policy and Standard Monitoring Plan establishes a cadence for regular monitoring of the policy, and a supporting JUNO control has been established. Findings from monitoring activities are tabled at the continuous improvement forum.

After reviewing the Closure Pack for this Activity, Promontory requested further information in relation to the training provided to support the rollout of the transformation artefacts.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that the training and guidance had been rolled out across Divisions in support of the implementation of the transformation artefacts.

Activity 7.3.3

Embed Activity 7.3.3 required adoption of the transformation governance and change delivery practices across the Group by change leaders and change practitioners.

Westpac provided quantitative evidence of compliance with the Transformation Policy and Standards across the Group, using metrics provided by the Transformation Controls Hub. E-learning modules for existing practitioners and new staff were rolled out in July and September 2023. Quality reviews by Line 1 were established in Q2 FY23 alongside quarterly monitoring

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activities to ensure the effectiveness of the Policy and Standards. Continuous improvement is being driven through the Transformation Change Control Forum and the PMO Control Forum.

Based on our assessment of the Activity Closure Pack, the interviews conducted, and the governance forums attended, we concluded that Westpac had taken appropriate steps to embed the revised transformation and delivery practices across the Group.

Deliverable 7.3

As part of this Deliverable, Westpac designed and rolled out a refreshed Transformation Policy, Transformation Portfolio Standard and Transformation Delivery Standard. These artefacts establish the approach for governing and managing transformation across the Group, requirements for transformation portfolios and delivery of change initiatives, and simplified delivery templates. Consistent implementation was monitored at the Divisional and LoB level through the Project Controls and Reporting Hub, and the Group has exceeded its 80% target for compliance. Westpac also rolled out reinforcement training activities and a PMO Control Forum to support continuous improvement and sustainability.

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

Assessment of Deliverable 7.4

Deliverable 7.4. required the embedment of enterprise capability for transformation governance and change delivery to assist in the achievement of Group and Divisional objectives.

Activity 7.4.3

Embed Activity 7.4.3 required the consistent application of the Group's transformation and change delivery capability benchmarks, and that delivery standards had been adhered to by all change leaders and practitioners across the Group.

Embedment was demonstrated through a quality review over the Transformation Capability Framework (**TCF**), which noted recommendations for uplift. Those changes were rolled out in 2023. A JUNO control was established for the maintenance of the Group Capability Framework (**GCF**), including the establishment of an ongoing GCF Governance Forum. Performance of the Transformation Capability Assessments (**TCA**) across practitioners increased in FY23 to 73.5%, and this is monitored through a central dashboard. A Transformation Delivery Advisory and Support (TDAS) team has been established to provide targeted advisory and coaching support for transformation initiatives and build long term capability in the organisation.

Based on our assessment of the Activity Closure Pack, the interviews conducted, and the governance forums attended, we concluded that Westpac had taken appropriate steps to

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embed enterprise capability to support governance and change delivery for transformation programs across the Group and ensure that Group and Divisional objectives are achieved.

Deliverable 7.4

As part of this Deliverable, Westpac designed and rolled out the TCF and TCA, supported by other policy artefacts. These are used to define and assess the required capabilities of change practitioners across the Group. To support the rollout, Westpac established the Group Transformation Chapter (**GTC**) to engage with transformation practitioners and stood up Chapters across the Group under the GTC. A quality review was performed over the rollout of the TCF in February 2023 and resulted in uplifts for both the TCF and TCA. The TDAS team was also established to assist across the Group by providing advisory and coaching support for transformation initiatives navigating material risks and build long term capability in the organisation.

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

Assessment of Deliverable 7.5

Deliverable 7.5 required the establishment of target-state roles and responsibilities in line with the 3LoD for managing Risk in Change (**RiC**), and a capability pathway for change practitioners and leaders to strengthen accountability.

Activity 7.5.5

Embed activity 7.5.5 required the adoption of roles and responsibilities for managing RiC in line with the 3LoD model. The consistency and quality of embedment across the Group was also required to be monitored.

Under this Activity Westpac operationalised roles and responsibilities, which were defined and communicated through the Transformation Policy and Standards and a supporting RASCI matrix. To support change practitioners and leaders, Westpac provided ongoing training and utilised regular communications across relevant teams. Quantitative and qualitative monitoring was used to monitor compliance.

Based on our assessment of the Activity Closure Pack, the interviews conducted, and the governance forums attended, we concluded that roles and responsibilities for managing RiC have been consistently adopted by business owners, change practitioners and leaders across programs and portfolios. We also concluded that the RiC capability learning pathway has been embedded for business owners, change practitioners and leaders.

Deliverable 7.5

As part of this Deliverable, Westpac defined, agreed and communicated roles and responsibilities for the management of delivery and delivered risk, and deployed them iteratively in a single integrated RASCI. A RiC capability learning pathway for business owners, change practitioners and leaders was also implemented.

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

Assessment of Deliverable 7.6

Deliverable 7.6 required risk management activities in change execution frameworks to be uplifted and integrated. This included the forecasting of forthcoming change impacts, developing a culture of continuous improvement and increasing the adoption of the 'lessons learnt' approach.

Activity 7.6.6

Embed activity 7.6.6 required Westpac to embed RiC management requirements and to monitor adherence by business owners, change leaders and change practitioners across programs and portfolios.

Continuous improvement mechanisms were embedded through extensive stakeholder engagement and actions plans. This included regular meetings with the Chief Strategy and Group Transformation Officer, Divisional CTOs, and GMs from across BCM Teams. Change control forums were held every 6 weeks and there were also PIR meetings.

In addition, a range of activities were undertaken to monitor adherence to RiC requirements and practices. This included qualitative monitoring through the implementation of JUNO controls, assurance reviews undertaken by Line 1, and Policy Owner Monitoring by the Group. Quantitative monitoring was performed utilising the Transformation Controls Hub information as well monitoring completion of eLearning training modules.

Based on our assessment of the Activity Closure Pack, the interviews conducted, and the governance forums attended, we concluded that RiC management practices have been consistently adopted by business owners, change leaders, and change practitioners across programs and portfolios

Deliverable 7.6

Westpac defined and implemented enhancements to the change execution frameworks to better manage delivery risks. This included enhancements such as refining "RAID" management practices, mandating the application of process management standards to

identify risks, and strengthening the integration of delivered risk into transformation practices. Improvement areas were identified for uplift and action plans were developed.

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

Assessment of Deliverable 7.7

Deliverable 7.7 relates to RiC reporting and required improved accessibility to change and delivered risk management information, including forecasting of change impacts, delivery confidence assessment and governance reporting, to strengthen management and delivery accountability and effectiveness.

Activity 7.7.7

Embed Activity 7.7.7 required Westpac to embed the enhancements to portfolio and program governance reporting. It also requires review of implementation effectiveness with a view to identifying any areas for improvement.

Under this Activity, Westpac updated project health keys and status reporting processes, embedded the Risk Indicator Dashboard, and created RAS data sources and risk metrics.

With respect to the project health keys and the status reporting process, 18 reporting cycles for approximately 400 projects every month have been completed since changes were implemented. Greater consistency in project health reporting has resulted from the automation and simplification of health keys. The Risk Indicator Dashboard was operationalised as a mandated input to monthly Divisional portfolio meetings and a requirement for overseeing delivery initiatives under the Transformation Portfolio Standard. With respect to the RAS data sources and risk metrics, these have been operationalised with the Project Controls and Reporting Hub used as a tool to monitor data quality.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews with Divisional representatives to better understand the enhancements.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that portfolio and program governance reporting has been adopted by change leaders as a tool to execute their accountabilities to manage RiC.

Deliverable 7.7

Westpac conducted a walkthrough of the Project Controls and Reporting Hub and provided Promontory with two case studies of how projects achieve their gold milestones. Westpac has approved a new metric which will help to drive the desired outcome of improving effective delivery of prioritised projects and the percentage of gold milestones delivered on time across the Transformation portfolio. Reporting on this metric will commence in FY24.

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

9.5. Risk and Compliance Management Theme

As at the Reporting Date, all 103 Risk and Compliance Management Theme Activities were assessed as complete and effective.

9.5.1. Workstream 8 – Risk Management Framework (WS8)

This Workstream has eight Deliverables consisting of 33 Activities. As at the Reporting Date this Workstream was closed as complete and effective.

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.

Table 9.9: WS8 Deliverables

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

Assessment of Deliverable 8.2

Deliverable 8.2 required Westpac to align the Board approved Group Risk Appetite Statement (**RAS**) with the Risk Taxonomy and the RAS Policy and for it to be cascaded to Divisional RASs. Risk Appetite Dashboards (**RADs**) were also to be established at Group and Divisional level.

Activity 8.2.5

Embed Activity 8.2.5 required Westpac to embed the Board and Divisional RASs as well as the Board and Divisional RADs throughout the Group. This includes the effective escalation and actioning of out-of-appetite RAS measures.

The work performed under this Activity included the finalisation and approval of several Board RAS risk tolerance thresholds that were temporarily outstanding, the continued use and update of the Board and Divisional RASs and the Board and Divisional RADs, the integration of risk appetite with key processes to support informed decision-making (e.g., the BSR/QBR) and the ongoing remediation of out-of-appetite risk appetite measures.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding some longstanding out-of-appetite risk appetite measures and clarification around the timeliness of action plan development. Following Promontory's inquiries, Westpac addressed our concerns through changes to the RAS Policy to formalise timelines regarding the development of action plans for resolving out-of-appetite risk appetite measures and updated reporting templates for the Board RAD to improve to the Board and support effective oversight.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac had effectively addressed our concerns regarding the timeliness of action plan development for resolving out-of-appetite risk appetite measures.

Deliverable 8.2

As part of this Deliverable, Westpac aligned its Board RAS to the Risk Taxonomy, enhanced the RAS Policy to reflect roles and responsibilities across the 3LOD and appropriate governance requirements, cascaded improvements to Divisional RASs and implemented a revised Board RAD and associated Divisional RADs. Additionally, work continued on the progressive return to appetite for out-of-appetite risk measures.

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

Assessment of Deliverable 8.4

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

Activity 8.4.3

Embed Activity 8.4.3 required Westpac to embed the Group's reputation and sustainability risks frameworks and undertake reviews to assess their operating effectiveness.

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The work performed under this Activity included reviewing the appropriate risk resourcing and capability, the appropriateness of RAS risk class measures and uplifting policies and procedures. Both frameworks also underwent their annual review during the embed period.

With respect to governance, reputation and sustainability risks were considered at Board, Group and Divisional risk committees and various other governance forums across the Bank.

After reviewing the Closure Pack for this Activity, Promontory requested further information on ESG risk thematic reviews to better understand actions to address identified findings and areas of improvements.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac has effective processes and mechanisms in place to continuously uplift risk management maturity of reputation and sustainability risks across the Group and Divisions.

Deliverable 8.4

As part of this Deliverable, Westpac implemented the frameworks relating to reputation and sustainability risks, conducted training to uplift capabilities across the Divisions as well as releasing educational materials, and updated the relevant policies and procedures to include ESG risk considerations. In addition, the Board RAS reputation and sustainability risk measures were reviewed. Reputation and sustainability risk were activated in the relevant Risk Profiles across the Group.

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

Assessment of Deliverable 8.5

Deliverable 8.5 required Westpac to enhance its processes around the identification and management of emerging risks.

Activity 8.5.3

Embed Activity 8.5.3 required embedment of the operating rhythm for the periodic consideration of emerging risks at the Group and Divisional levels. The work performed under this Activity included ensuring that emerging risk discussions occur at the appropriate forums at both the Group and Divisional levels. An effectiveness review of the operating model as implemented in Activity 8.5.2 was undertaken. No material findings were raised and areas for improvement were identified. Some actions have already been progressed resulting in the update of the Emerging Risk Practice Guide, and remaining actions being monitored post closure of Deliverable 8.5.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that the emerging risk operating model has been largely embedded,

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with pockets within Westpac requiring ongoing maturity and embedment. We understand that those areas requiring further maturity, will be supported by the Strategic Risk Oversight team to continue uplifting their practices around emerging risk.

Deliverable 8.5

As part of this Deliverable, Westpac enhanced its emerging risk approach, embedding a range of artefacts and processes. These included an Emerging Risk Practice Guide, which contains guidance around the identification, consideration and reporting of emerging risks. An Emerging Risk Toolkit was embedded, containing various artefacts such as an Emerging Risk Register and an Emerging Risk Landscape chart which is used to map velocity and impact. Further, the approach also ensures that discussions on emerging risks are held at the LoB, Divisional and Group level, with appropriate vertical and horizontal information flows and reporting.

After reviewing this Deliverable and associated Activities, Promontory assessed that the Sustainability Principles are operating effectively to support the maintenance of the Target State. We also note that the Strategic Risk Oversight Team will assist relevant teams with the ongoing maturity of their emerging risk practices.

Assessment of Deliverable 8.6

Deliverable 8.6 required Westpac to review and refine the First and Second Line risk committee structure to support effective decision making and accountabilities.

Activity 8.6.3

Embed Activity 8.6.3 required the embedment of a periodic review process for the Group and Divisional Risk Committees (**RiskCos**) to undertake review of their operating effectiveness and performance against their objectives.

The work performed under this Activity included ensuring that the RiskCos completed their performance reviews, involving a member survey, performance measures to assess operational disciplines, and a review of learnings from other sources (e.g., Relevant Matter and observations from regulators or third parties). The Risk Committee governance team also conducted a PIR involving interviews with Chair delegates and secretaries from LoB, Divisional and Group RiskCos. The findings from the performance reviews were aggregated into the Ecosystem Report and presented to the Group RiskCo in February 2023. The report found that the Ecosystem was operating largely effectively with no material deficiencies. Action plans are in place for the improvement areas identified, and mechanisms to monitor the actions have been established.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac has embedded the process for the Group and Divisional RiskCos to undertake periodic reviews of their operating effectiveness, and of their performance against their objectives.

Deliverable 8.6

As part of this Deliverable, Westpac has enhanced and embedded its frameworks and processes which are overseen by the Risk Committee Governance team. These include various artefacts which support consistency across the Group, such as the Risk Committee Standard, Terms of Reference templates, the Risk Paper template and the Chair Guide.

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

Assessment of Deliverable 8.8

Deliverable 8.8 required Westpac to review and enhance the Prudential Governance Framework to uplift the end-to-end management of Prudential Obligations.

Activity 8.8.3

Activity 8.8.3 required Westpac to embed its Prudential Obligations Management Framework and revised Prudential Governance Framework. Further, under the new frameworks, complete the FY23 annual Risk Management Declaration including the Prudential Governance Framework changes for the period ending 30 September 2023.

The work performed included the completion of the FY23 Annual Risk Management Declaration, in accordance with the updated Prudential Governance Framework. This process is now centrally managed. The Prudential team utilises JUNO to establish a baseline for each Prudential Standard, to be validated and attested to by each of the Prudential Owners. Additionally, further enhancement of end-to-end reporting with the Prudential Dashboard was launched, providing data to support Prudential Standard Owners and their teams.

Communications were meaningfully utilised to support relevant stakeholders throughout the embed phase and to ensure the revised frameworks were understood and adhered to.

Based on our assessment of the Activity Closure Pack, we concluded that the enhancements to end-to-end reporting, and that the centralisation of the Prudential Standards Risk Management Declaration have promoted consistency across the Prudential Standards, and Prudential Standard Owners are provided with support and guidance. We concluded that the Prudential Obligations Management Framework has been embedded.

Deliverable 8.8

As part of this Deliverable, Westpac undertook an end-to-end review of its processes for managing Prudential Obligations and implemented the target state operating model. This included a new and enhanced Prudential Governance Framework which comprised an update to frameworks, policies and processes. Owners for each Prudential Standard were identified, and requisite risk capabilities, roles and responsibilities were defined. Westpac then embedded the updated Prudential Governance Framework.

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

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

This Workstream has four Deliverables consisting of 14 Activities. As at the Reporting Date this workstream was closed as complete and effective.

WS9 relates to non-financial risk reporting and JUNO (Westpac's integrated risk and compliance system) 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.

Table 9.10: WS9 Deliverables

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

Assessment of Deliverable 9.1

Deliverable 9.1 required Westpac to support NFR analytics and reporting capability with centralised infrastructure to deliver agile data and reports with actionable insights.

Activity 9.1.3

Embed Activity 9.1.3 required Westpac to embed uplifted NFR reporting in relevant committees and forums, with the reporting used in decision-making and continuously improved in response to useability feedback through established feedback mechanisms.

Under this Activity, Westpac standardised NFR and control reporting to all Divisions and the Group Executive, utilising consistent metrics from Westpac's SIP Platform. This reporting was provided to RiskCos across the Group, facilitating risk decision-making based on consistent NFR data.

Westpac embedded the standardised data and platform through communications to raise awareness of the platform and through guidance to support users. A customisable version for the development of bespoke reporting was also deployed.

NFR Dashboard governance arrangements were documented to support continuous improvement implementation. Change requests are considered by the Data Services Working Group, before relevant approvals are sought and appropriate business rules updated. Westpac has also implemented an annual process for review of the NFR Dashboard and metrics. A number of improvements have already been made through this process.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac has produced a standardised set of risk and control reports, with shared/standardised metrics available for bespoke reporting, on common infrastructure to support the Group and Divisions. This includes the provision of RiskCo reporting and insights to facilitate risk profile discussions. Platform infrastructure is maintained by a well-resourced team, and feedback mechanisms are in place to facilitate continuous improvement of the NFR dashboards and metrics.

Deliverable 9.1

As part of this Deliverable, Westpac developed and implemented a standardised, centralised platform for the consistent measurement and reporting of non-financial risk metrics. A set of standardised risk and control reports were then built on this infrastructure, with the capacity for bespoke reporting to be developed for Divisions as needed. These reports were presented to relevant Divisional and Group Risk Committees, management and oversight forums to inform effective decision-making. Westpac demonstrated the use of these metrics to facilitate decision-making.

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

Assessment of Deliverable 9.2

Deliverable 9.2 required continuous development of JUNO functionalities (including notifications, workflows, and task focused user interface) to support maturity of risk and compliance practices. This included improvements in functionality for issues, incidents, obligations and controls management.

Activity 9.2.4

Embed Activity 9.2.4 required Westpac to embed the Change Governance Model mechanism and the agreed tranche of JUNO prioritised changes in accordance with the JUNO roadmap.

JUNO enhancements were implemented in compliance with the Change Governance Model and training provided to users on new functionality. User feedback was also captured following the implementation of each change.

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In addition, feedback was sought via a survey from JUNO users Group-wide and the results noted a positive trend. Since the commencement of the uplifts in relation to JUNO support, and its multiple enhancements, there has been greater adherence to risk management practices.

After reviewing the Closure Pack for this Activity, Promontory requested further information to evidence demonstrating that changes implemented during the Embed stage complied with the requirements of the Change Governance Model.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac has a robust mechanism in place to implement changes to JUNO, capture feedback and identify areas of improvement to further mature and drive adherence to risk management practices.

Deliverable 9.2

As part of this Deliverable, Westpac developed and embedded the Change Governance Model which provides the process and governance mechanism to capture, develop and implement changes to JUNO and SIP. In addition, various feedback mechanisms were implemented to continuously capture insights on the effectiveness of the GRC system and identify areas for improvement to support maturing risk management practices.

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

Assessment of Deliverable 9.3

Deliverable 9.3 required data quality tools to be enhanced to better support data capture, as well as data quality review and monitoring. A support model to ensure ongoing development and maintenance of JUNO was also to be established.

Activity 9.3.4

Embed Activity 9.3.4 required Westpac to embed processes across the LoBs and Divisions to uplift data quality in JUNO, and to actively monitor and report on data quality review outcomes.

The JUNO data quality report is actively reviewed by LoBs and Divisions, and remedial actions are implemented to address identified data quality gaps. Line 2 provides oversight of data quality issues and there is regular discussion at leadership meetings and reporting to the relevant Risk Committees. Data quality reports were enhanced during the embed period based on ongoing feedback from the Divisions. Testing was conducted on the controls in place for the identified CDEs and their assessment ratings were noted as effective.

In addition, the JUNO support model to identify functionality improvements through user feedback was embedded. Actions have been developed to address feedback. Promontory

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notes that since the commencement of CORE, an overall positive trend has been observed in the response to the JUNO survey regarding the support it provides for day-to-day risk management activities.

After reviewing the Closure Pack for this Activity, Promontory requested further information in relation to data quality report metrics and the remediation actions implemented to address gaps and the overall progress of those actions.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac has adopted a multifaceted approach to improve data quality in JUNO and there are mechanisms in place to identify data quality issues and implement and monitor remedial actions.

Deliverable 9.3

As part of this Deliverable, Westpac developed and embedded data quality monitoring reports to identify and remediate data quality issues in JUNO and established and tested the controls around relevant NFR critical data elements (**CDEs**) to ensure they are designed and operating effectively. In addition, the JUNO support model was established and this included user feedback gathering and various avenues of support to assist JUNO users.

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

Assessment of Deliverable 9.4

Deliverable 9.4 required Westpac to ensure the use of automated solutions to enable key elements of the risk and control assessment process and data capture, are maintained in risk systems and leveraged for accurate and timely risk reporting.

Activity 9.4.3

Embed Activity 9.4.3 required Westpac to ensure that LoBs and Divisions embed the technology solutions in JUNO and SIP when completing and maintaining their risk and control assessments.

Under this Activity, Westpac ensured that SIP and JUNO continue to be utilised for updates to risk and control assessment data in JUNO, which is subsequently used to inform risk reporting. Enhancements to functionality were also made to JUNO and SIP based on user feedback.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that the LoBs and Divisions have embedded the use of JUNO and SIP technology solutions to support maintenance and completion of key elements of risk and control assessments, and that the risk profile data captured is used to inform risk reporting.

Deliverable 9.4

As part of this Deliverable, Westpac enhanced and strengthened functionality of the JUNO and SIP technology solutions to support risk and control assessment processes. For example, Westpac developed Smart Alerts, and enhanced the Delta Tool functionality to support proactive risk management. These enhancements enable Divisions to leverage a variety of data sources to identify trigger events and areas which may require deeper consideration.

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

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

This Workstream has seven Deliverables consisting of 41 Activities. As at the Reporting Date, this Workstream was closed as complete and effective.

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.

Table 9.11: WS10 Deliverables

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

Assessment of Deliverable 10.1

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

Activity 10.1.4

Embed Activity 10.1.4 required the use of value chains to be further embedded as a tool for risk management and to demonstrate consistent compliance with the requirements of the VCM Framework.

Process modelling for value chains and the Enabling Services occurred in phases, with the last phase of Enabling Services completed during the Embed phase. These included aspects of Technology Management, Human Resources Management, Sourcing and Procurement Management, amongst others. Quarterly compliance monitoring reports were undertaken to assess compliance of value chains and Enabling Services with the VCM Policy.

Key policies and frameworks supporting the embedment of value chains and Enabling Services continued to be updated on a regular basis. The systems and tools supporting the maintenance and governance of value chains and enabling services were further enhanced.

Each value chain and Enabling Service continued to refresh their associated risk profile in accordance with the requirements Risk and Control Assessment (**RCA**) Policy, noting that the Enabling Services that had been process-modelled during the Embed phase undertook this process for the first time under the value chains construct.

To support our testing, Promontory observed 25 risk profile refresh workshop sessions to understand the depth of discussion and robustness of risk assessment throughout the process. Our observations identified several areas for further maturity but confirmed that Westpac had achieved the associated Target State for Deliverable 10.1. Key feedback provided to Westpac on areas of further maturation included the need for more holistic consideration of the control environment and variations in capability between Divisions.

Based on our assessment of the Activity Closure Pack, our embed testing, and the interviews we conducted, we concluded that Westpac had taken appropriate steps to ensure that: value chains and Enabling Services had been used as the basis for risk profile management; and that compliance with the VCM Policy had been assessed on a quarterly basis, with a high level of compliance identified.

Deliverable 10.1

As part of this Deliverable, Westpac conducted process-modelling for all value chains and key Enabling Services across the Group in accordance with the VCM Policy. These were integrated with risk profiles and utilised as the basis for the identification, management and

reporting of risks, controls and obligations. The risk assessment process was uplifted to align with the value chains construct, and risk profiles were refreshed on a quarterly basis in response to material changes in the operating environment.

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

Assessment of Deliverable 10.2

Deliverable 10.2 required the design and implementation of the Group Controls Library in JUNO to promote controls standardisation, as well as developing a control framework to promote governance across the Controls Library. Clear roles and responsibilities for control management are to be established. This deliverable also involves the progressive delivery of common and centralised controls.

Activity 10.2.5

Embed Activity 10.2.5a required Westpac to consistently use the Group Controls Library (**GCL**), Group Risk Taxonomy (**GRT**), and Obligations Library in risk and compliance assessments, and control self-assessments. The embedment of roles and responsibilities in relation to common and centralised controls was required, together with enhancements to JUNO to support the requirements of the RCA Policy relating to controls.

The use of the GCL is mandated use when creating controls on JUNO as well as the use of the GRT when linking risks to key controls. Through the use of dashboards and tools, the Library Owners and Risk Profile Owners monitor the release of obligations, contained in Obligation Libraries, ensuring incorporation in risk profiles for risk and compliance assessments. Enhancements were made in JUNO to incorporate the RCA policy requirements, creating system-enforced rules for data capture and workflows.

Roles and responsibilities for common and centralised controls were embedded through the oversight of the Control Optimisation Working Group (**COWG**), and responsibilities are in place for developing, socialising and monitoring the use of controls and key improvements across Divisions.

After reviewing the Closure Pack for this Activity, Promontory requested further information in relation to the overall impact on the control environment, the robustness of the standardisations and the effectiveness of the roles and responsibilities.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac has adopted a robust process for control development and standardisation, with the engagement of various stakeholders from 1LoD BCM, 2LoD, dCRO and Risk class owners. Westpac observed a 28% reduction in ineffective controls and the quality of control documentation has improved. Furthermore, the roles and responsibilities of the common and centralised control owners are defined under the RCA Policy, with

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adherence gauged through Policy Owner Monitoring and the COWG. Improvements were made during the embed period including changes in relation to how Control Owners perform their responsibilities.

Activity 10.2.5a

Embed Activity 10.2.5a required Westpac to embed the Controls Optimisation Operating Model together with related roles and responsibilities. The Operating Model, which aims to improve the control environment across the Divisions through control initiatives, is operationalised though a monthly COWG.

During the embed period of this Activity, the COWG met monthly to monitor the process of control initiatives which included the delivery of masterclasses to enhance control design capabilities, policy refinements and sharing of lessons learned and best practice insights.

The WG also supported and monitored the Division's control rationalisation plans which involved the socialisation and rollout of common and centralised controls, replacing unique controls and improving standardisation. The control population was reduced by 7% during the embed period.

After reviewing the Closure Pack for this Activity, Promontory requested further information on control rationalisation initiatives, the overall impact on the control environment and the robustness of the standardisations.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac has utilised a multifaceted approach to uplift its control environment and there are mechanisms in place to assess the overall impact on the control environment and provide insights for effectiveness and consistency.

Deliverable 10.2

As part of this Deliverable, Westpac established the COWG to oversee the control standardisation initiatives and the roll-out of the common and centralised controls. Roles and responsibilities were defined in the RCA Policy are monitored via policy monitoring and through the construct of the Control Optimisation Working Group. The Controls Library has been incorporated JUNO as a mandated function to be used when creating controls.

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

Assessment of Deliverable 10.3

Deliverable 10.3 required Westpac to perform Control Self Assessments (**CSAs**), identify control gaps and weaknesses for which sound action plans must be created. Enhanced CSA

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guidance and training to support the rollout of the self-assessment and control monitoring processes was also required to be delivered.

Activity 10.3.3

Embed Activity 10.3.3 required Westpac to perform CSAs in accordance with the RCA Policy, log issues in JUNO with clear closure plans, and embed continuous improvement processes to uplift CSA guidance, training and reporting.

Under this Activity, self-assessment of 99.79% of all controls had been undertaken (by September 2023), with insights reflecting a reduction in the percentage of controls requiring improvement on the previous year.

A selection of CSAs was reviewed by First Line BCM teams in accordance with the RCA Policy and the Controls Management Standard. Second Line provided a further review and challenge of the 1LoD results. Material findings in relation to the adequacy and effectiveness of CSAs declined slightly year to year. Issues raised in relation to the quality of controls were logged in JUNO in accordance with Westpac's Issue and Action Management Policy.

Relevant guidance and training was completed by Westpac staff throughout FY23, with a Working Group facilitating the sharing of useful Divisional processes for improving CSA quality.

After reviewing the Closure Pack for this Activity, Promontory requested further information to better understand how Westpac determined that CSA quality was improving, and how control gaps were identified through the self-assessment process.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac had conducted CSAs in accordance with the RCA Policy, issues were logged in JUNO for remediation and effective processes were in place to support continuous improvement in training and guidance.

Deliverable 10.3

As part of this Deliverable, Westpac revised the CSA requirements, guidance and training, and Divisions were then required to complete self-assessments in accordance with the revised RCA Policy. Throughout the self-assessment process, and the CSA quality reviews by 1LoD and 2LoD, any issues identified were logged in JUNO with clear closure plans.

Teams across Line 1 and Line 2 performed periodic reviews to ensure the self-assessments and controls monitoring processes were adequate.

Finally, Westpac embedded the self-assessment process as outlined in the RCA Policy through the FY23 performance of the self-assessments, supplemented by enhanced training and guidance to improve control and assessment quality year on year. A governance process for reporting at Divisional RiskCos was also established.

Assessment of Deliverable 10.4

Deliverable 10.4 required improvement of issues management practices and outcomes by having a clear understanding of the issues management lifecycle, and to achieve greater quality, consistency and timeliness in the recording, management, monitoring and resolution of issues. The processes related to issues and incident management are required to capture issues and incidents related to financial risk controls and related incidents.

Deliverable 10.4

As part of this Deliverable, Westpac has updated and enhanced the Issues and Action Management Policy and Guidance, ensuring the establishment of defined roles and responsibilities. Additionally, improvements were made to the JUNO system, augmenting its capabilities to meet the demands of the Issues and Action Management Policy. This included the implementation of standardised metrics for more consistent reporting. Extensive training programs were rolled out across all Divisions to deepen the understanding and maturity of issues management processes.

The monitoring and reporting of issues and actions are conducted through various leadership forums within the Divisions and the Group, including multiple risk committees. Additionally, thematic reviews undertaken across the 3LoD are leading to identification and implementation of actions to rectify thematic findings and enhance areas of improvement.

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

9.5.4. Workstream 11 – Assurance (WS11)

This Workstream has one Deliverable consisting of three Activities. As at the Reporting Date, this Workstream was closed as complete and effective.

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

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

Table 9.12: WS11 Deliverable

#	Deliverable	Total Closed Activities
11.1	Assurance	3
	Total	3

Assessment of Deliverable 11.1

Deliverable 11.1 required Westpac to strengthen the voice of assurance across the Second and Third Line. The effectiveness, efficiency and coverage of the Bank's assurance practices were also to be strengthened, together with establishing an operating model that aligns coverage, approach and planning across the 3LoD.

Activity 11.1.3

Embed Activity 11.1.3 required Westpac to execute on its FY23 Coordinated Second and Third Line Assurance Plans and to establish its FY24 Second and Third Line Coordinated Assurance Plans.

Under this Activity, Westpac delivered on its FY23 Second Line and Third Line Coordinated Assurance Plans, with a 95% completion rate for the Second Line Assurance Plan and a 98% completion rate for the Third Line Coordinated Assurance Plan as at the end of FY23. The outstanding reviews have since been completed.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that the coordinated assurance approach across the 3LOD has been embedded, together with clearly defined roles and responsibilities. Further, the FY24 Coordinated Assurance Plans for Second and Third Line have been created and approved, taking into account lessons learned from the FY23 planning and delivery processes.

Deliverable 11.1

As part of this Deliverable, Westpac designed and embedded a targeted assurance approach, with clear roles and responsibilities delineated across the lines of defence. This included the continued execution of First Line quality reviews to enable the business functions to identify and remediate areas of thematic weakness, and coordination and execution of Second and Third Line assurance activities in a manner which minimises duplication.

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

9.5.5. Workstream 12 – Compliance Management (WS12)

This Workstream has four Deliverables consisting of 12 Activities. As at the Reporting Date this Workstream was closed as complete and effective.

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.

Table 9.13: WS12 Deliverables

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

9.6. Conduct Theme

As at the Reporting Date, all 16 Conduct Theme Activities were assessed as complete and effective.

9.6.1. Workstream 13 – Conduct Risk (WS13)

This Workstream has four Deliverables consisting of 16 Activities. As at the Reporting Date this Workstream was closed as complete and effective.

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.

Table 9.14: WS13 Deliverables Progress

#	Deliverable	Total Closed Activities
13.1	New Code of Conduct	5
13.2	Conduct Risk training and guidelines	5
13.3	Conduct Risk Maturity	3
13.4	Conduct Risk assessment and reporting	3
	Total	**16**

Assessment of Deliverable 13.3

Deliverable 13.3 required Westpac to embed conduct risk maturity through the delivery of improvement activities and the establishment of ongoing governance.

Deliverable 13.3

As part of this Deliverable, Westpac delivered a number of initiatives to enhance the way impacts to customers and markets are considered, and to support long term behavioural change. Examples of the initiatives implemented include:

- Aligning behavioural initiatives impacting the Divisions so that they are better able to foster long term change.

- Conduct risk considerations have been implemented into decision making frameworks, including the consideration of the 'Should We?' test and the Code of Conduct to deliver on fair customers and market outcomes.

- Division specific training to support a more consistent application of the 'Should We?' test and the Code of Conduct.

- A stocktake of Market Conduct initiatives to improve the understanding of guidance and tools for managing the Code of Conduct.

- A suite of Conduct Risk measures, across a variety of data sources are available through Westpac's Strategic Insights Platform. The measures are aligned to the Code of Conduct and enable Divisions to consistently report on and consider conduct risk insights.

- Process and guidance materials for onboarding and recruiting were enhanced to ensure that Westpac is hiring the right people to deliver on Westpac's Purpose, Values and Behaviours.

- Considerations of conduct risks were integrated into performance and remuneration frameworks and to reinforce positive risk behaviours.

In parallel to the initiatives above, clarification of roles and responsibilities across the 3LoD ensure clearer expectations for managing conduct risks across all functions.

Collectively, these initiatives together with the governance arrangements delivered, support the ongoing maturity of conduct risk management. After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles are operating effectively to support the maintenance of the Target State.

9.7. Complaints Theme

As at the Reporting Date, all 18 Complaints Theme Activities were assessed as complete and effective.

9.7.1. Workstream 14 – Customer Complaints (WS14)

This Workstream has four Deliverables consisting of 18 Activities. As at the Reporting Date, this Workstream was closed as complete and effective.

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.

Table 9.15: WS14 Deliverables

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

9.8. Technology and Data Risk Theme

As at the Reporting Date, all 25 Technology and Data Theme Activities were assessed as complete and effective.

9.8.1. Workstream 15 – Technology Risk Governance (WS15)

This Workstream has four Deliverables consisting of 14 Activities. As at the Reporting Date, this Workstream was closed as complete and effective.

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.

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Table 9.16: WS15 Deliverables

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

9.8.2. Workstream 16 – Data Risk Governance (WS16)

This Workstream has three Deliverables consisting of 11 Activities. As at the Reporting Date this Workstream was closed as complete and effective.

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.

Table 9.17: WS16 Deliverables

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

Assessment of Deliverable 16.1

Deliverable 16.1 required the review and enhancement of the Group's data oversight and operating model, with a focus on assessment and measurement of risk against risk appetite.

Activity 16.1.5

Embed Activity 16.1.5 required the embedment of data risk reporting and dashboards in relevant oversight forums across the group, and an operating rhythm established to continually improve data quality.

Embedment was primarily evidenced through the review of monthly Divisional Data Council packs by the Data Platforms team to ensure that reporting was delivered consistently across

the group and that Divisional Plans were being managed appropriately. This was supported by a review performed by Line 2 in July and August 2023, and the rollout of reinforcement training programs. Significant improvements were also rolled out to key underlying systems for data governance, including the Data Management Operating System Dashboard (**DMOS**), Data Quality Management Assessment (**DQMA**) and the Critical Data Elements (**CDE**) Onboarding Tracker. Finally, Westpac updated the Data RAS Metric to shift the focus of the business to improving the underlying control environment for managing data risk.

Based on our assessment of the Activity Closure Pack, the interviews conducted, and the governance forums attended, we concluded that Westpac had taken appropriate steps to embed data risk reporting and dashboards in appropriate Divisional Risk Committees and forums across the Group.

Deliverable 16.1

As part of this Deliverable, Westpac has implemented and embedded a significant uplift in their data reporting, including the development of DMOS. Through the centralisation of relevant data in DMOS, Westpac is able to cascade key reporting through business unit governance forums. Supporting frameworks for DMOS, reporting and linkages have also been deployed across the Group. Westpac has also continued to mature its approach to managing data risk across the organisation, including updating the Data RAS metric to reflect its progress in the identification and management of CDEs, shifting the focus to improving the control environment in support of managing data risk.

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

Assessment of Deliverable 16.2

Deliverable 16.2 required Westpac to implement Data Management Operating System (**DMOS**) as standard and to onboard the Group's Critical Data Elements (**CDEs**) onto the operating system to improve management of data controls and data quality.

Activity 16.2.3

Embed Activity 16.2.3 required Westpac to embed the tools and processes for the ongoing management and maintenance of CDEs in DMOS.

The work performed under this Activity included developing learning modules and providing targeted training and communications across all tools and processes to relevant stakeholders to support reinforcement and business as usual education on DMOS. Policies, Standard Operating Procedures and other supporting documents continued to be updated and improved under this Activity. Centralised and common controls were also established to ensure the quality of data held within the DMOS ecosystem is maintained on an ongoing basis.

After reviewing the Closure Pack for this Activity, Promontory requested further information. We were particularly interested in timeframes and prioritisation of planned enhancements for in-scope tools and processes, and the progress of embedding the Producer, Processor and Consumer (PPC) operating model. Promontory also undertook a review of a sample of onboarded CDEs to evidence that embedded tools and processes supported CDE onboarding and maintenance.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that DMOS tools and process associated with onboarding and managing CDEs have been embedded, Westpac had achieved its FY23 CORE target for onboarded CDEs, and all Divisions were using implemented tools and processes.

Deliverable 16.2

As part of this Deliverable, Westpac developed and embedded guidance, roles and responsibilities, and ongoing training and communications to support the management and maintenance of CDEs in DMOS. Westpac also demonstrated usage of tools and processes across the Group to onboard and maintain CDEs in DMOS.

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

9.9. Financial Risk Classes Theme Progress

As at the Reporting Date all 13 financial risk classes Theme Activities were assessed as complete and effective.

9.9.1. Workstream 17 – Credit Risk Governance (WS17)

This Workstream has one Deliverable consisting of four Activities. As at the Reporting Date this Workstream was closed as complete and effective.

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.

Table 9.18: WS17 Deliverables

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

Assessment of Deliverable 17.1

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

Activity 17.1.2a

Implement Activity 17.1.2a required Westpac to establish monitoring and reporting for Credit Risk-related Prudential Standard compliance, including controls for the generation of APRA Returns and oversight of their effectiveness. This includes demonstrating end-to-end data flows for identified CDE sand oversight of data control effectiveness.

The work performed under this Activity included the review of CDEs defined during the design phase against a data materiality scoring approach. Credit Risk's most critical data and their end-to-end lineage for in-scope Prudential Standards, based on materiality scoring, were onboarded onto the DMOS. Operational monitoring for controls was implemented, and control gaps raised where relevant.

After reviewing the Closure Pack for this Activity, Promontory requested further information. We were particularly interested in the materiality scoring approach for determining the criticality of Credit Risk data, and control management and oversight for CDEs.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac had progressed the onboarding of CDEs for in-scope Prudential Standards, implemented controls to support the data quality of data used in APRA Returns, and developed tools to support the ongoing monitoring and reporting for Credit Risk Prudential Standards.

Activity 17.1.3

Embed Activity 17.1.3 required the embedment of revised credit risk practices, validated through the review of those risk practices and identification of improvement areas (if required). It also required the embedment of an operating model in line with the 3LoD target state within the Divisions (as applicable), and monitoring Divisions' adherence to the model through the updated Prudential Governance Framework.

To review the effective embedment of practices BAU, Prudential Assurance, Credit Assurance and Group Audit as well as improvement opportunities identified were considered. Adherence

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to the 3LoD target state, including the monitoring mechanisms to track ongoing adherence, was also reviewed by internal stakeholders as well as a third-party.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding reports from the various reviews conducted during the Embed phase. This included findings and ongoing improvement opportunities that were identified across prudential compliance, credit oversight and scrutiny review, credit policy exceptions, data governance and the 3LoD.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to embed revised credit risk practices and implement monitoring mechanisms to track adherence of relevant Divisions to the revised 3LoD operating model.

Deliverable 17.1

As part of this Deliverable, Westpac embedded revised credit risk practices and evidenced significant uplift in the control environment to track, manage, and report, internally and externally, on credit risk governance. This ensures consistent application of relevant Prudential Standards and Reporting Standards and appropriate controls in place to inform effective decision-making. Westpac also demonstrated significant progress clarifying allocation of responsibilities across the 3LoD and undertaking activity transfers to align responsibilities to the operating model target state. Westpac has demonstrated commitment to supporting continual embedment of the operating model target state.

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

9.9.2. Workstream 18 – Market Risk Governance (WS18)

This Workstream has one Deliverable consisting of three Activities. As at the Reporting Date this Workstream was closed as complete and effective.

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.

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Table 9.19: WS18 Deliverables

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

Assessment of Deliverable 18.1

Deliverable 18.1 required the Market Risk Framework and practices to be reviewed and enhanced with particular focus on controls for compliance with Prudential Standards and Reporting Standards, external reporting, and alignment with the RMF and 3LOD model.

Activity 18.1.3

Embed Activity 18.1.3 required Westpac to embed revised market risk practices as validated through their review and identification of improvement areas (if required). Embedment of an operating model in line with 3LoD target state within the Divisions (as applicable) was also required, together with monitoring adherence through the updated Prudential Governance Framework.

The primary mechanism for the review of embedment consisted of various BAU, Prudential Assurance and Group Audit reviews, to validate the embedment of revised market risk practices and identify improvement opportunities. Ongoing adherence to the revised operating model was also reviewed by internal stakeholders through BAU mechanisms.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding reports from the various reviews conducted. This included findings and ongoing improvement opportunities that were identified across issues management and data governance.

Based on our assessment of the Activity Closure Pack, the additional documentation we received, we concluded that Westpac had taken appropriate steps to embed revised market risk practices and implement monitoring mechanisms to track adherence to the revised operating model.

Deliverable 18.1

As part of this Deliverable, Westpac embedded revised credit risk practices and evidenced an uplift in the control environment to track, manage, and report, internally and externally, on market risk governance. Westpac also demonstrated progress in clarifying the split of responsibilities across the 3LoD and aligning responsibilities in practice to the operating model target state. Westpac also operationalised BAU processes to support the continual improvement of the revised operating model.

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

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

This Workstream has two Deliverables consisting of six Activities. As at the Reporting Date this Workstream was closed as complete and effective.

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.

Table 9.20: WS19 Deliverables

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

Deliverable 19.1

As noted in our previous reports, there is significant overlap between Deliverable 19.1 and the work undertaken by Westpac under its APS 210 Remediation Program. In connection with the APS 210 Remediation Program, Westpac engaged an independent third-party to review compliance with APRA's liquidity reporting requirements and the remediation of its control framework for liquidity risk management. Given the overlap, Promontory only reviewed components of the Design and Implement Activities for Deliverable 19.1 and Westpac re-engaged the same independent party to review the entire embed activity and Deliverable. On that basis, and without further review by Promontory, we have recorded Deliverable 19.1 fully complete.

Assessment of Deliverable 19.2

Deliverable 19.2 required the Capital Adequacy Risk Framework and practices to reviewed and enhanced with particular focus on controls for compliance with Prudential Standards and Reporting Standards, external reporting, and alignment with the RMF and 3LOD model.

Activity 19.2.3

Embed Activity 19.2.3 required the embedment of revised capital adequacy risk practices as validated through their review and identification of improvement areas (if required). Embedment of an operating model in line with 3LoD target state was also required, together with monitoring adherence through the updated Prudential Governance Framework.

The primary mechanism for the review of embedment consisted of various BAU, Prudential Assurance and Group Audit reviews, to validate the embedment of revised capital adequacy risk practices and identify improvement opportunities. Ongoing adherence to the revised operating model was also reviewed by internal stakeholders through BAU mechanisms.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding improvement opportunities in relation to the control environment, issues management and data governance.

Based on our assessment of the Activity Closure Pack, the additional documentation we received, we concluded that Westpac had taken appropriate steps to embed revised capital adequacy risk practices and implement monitoring mechanisms to track adherence to the revised operating model.

Deliverable 19.2

As part of this Deliverable, Westpac embedded revised credit risk practices and evidenced an uplift in the control environment to track, manage, and report, internally and externally, on capital adequacy risk governance. Westpac also demonstrated progress in clarifying the split of responsibilities across the 3LoD and aligning responsibilities in practice to the operating model target state. Westpac also operationalised BAU processes to support the continual improvement of the revised operating model.

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

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