



Independent Review of Westpac Banking Corporation's Integrated Plan for the Court Enforceable Undertaking

Prepared by Promontory Australia, a division of IBM

First Report

5 March 2021

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Independent Review of Westpac Banking Corporation's EU Program

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Promontory Australia, a division of IBM, has been engaged to provide external ongoing assurance to Westpac Banking Corporation over the development and implementation of its Integrated Plan, which reflects the requirements of the Court Enforceable Undertaking (EU) entered into with the Australian Prudential Regulation Authority on 3 December 2020. This First Report is provided solely for the purpose of Promontory's initial assurance over the status of compliance with the EU in the context of the requirements for the development of the Integrated Plan and its content. Subsequent assurance activities and reports will focus on the execution and implementation of the Integrated Plan.


A representative of Westpac has reviewed a draft version of this First 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

Contents	2
Abbreviations & Definitions	5
Executive Summary	7
1. Introduction	12
1.1. Background to the EU.....	12
1.2. Overview of EU Response.....	13
1.3. Principles for Promontory's Independent Assurance	14
1.4. Assurance Activities.....	15
1.5. Report Structure	17
2. Components of the Integrated Plan	19
2.1. Guiding Principles of the Integrated Plan.....	19
2.2. Inclusion of Issues within the Integrated Plan	20
2.3. Scope of the Integrated Plan	23
2.4. Plan Structure	25
2.5. Promontory's observations on the development of the Integrated Plan	26
3. Timelines and Resources for the Integrated Plan	28
3.1. Timelines	28
3.2. Funding and Resources.....	29
3.3. Promontory's observations	30
4. Program Governance & Oversight	32
4.1. Governance Principles.....	32
4.2. Board Governance of the Integrated Plan	32
4.3. Executive oversight of the Integrated Plan	33
4.4. Program Management.....	36
4.5. Promontory's observations	37
5. Dependencies of the Integrated Plan	39
5.1. Approach to identification of dependencies	39



5.2.	Dependency management.....	39
5.3.	Management plan for dependencies.....	40
5.4.	Promontory's observations	42
6.	Accountability for the Integrated Plan	43
6.1.	Principles for assignment of accountability	43
6.2.	Identifying and assigning accountability.....	43
6.3.	Monitoring accountability	45
6.4.	Promontory's observations	45

Abbreviations & Definitions

Abbreviation	Definition
19 Workstreams	Westpac's 19 Workstreams in the Integrated Plan as set out in Section 2.2 of this Report
ADI	Authorised Deposit-taking Institution
APRA	The Australian Prudential Regulation Authority
BAU	Business as usual
BCM	Business Control and Monitoring
BEAR	APRA's Banking Executive Accountability Regime
BLRCC	Board Legal, Regulatory and Compliance Committee
BRC	Board Remuneration Committee
BRiskC	Board Risk Committee
CEO	Chief Executive Officer
CGA Reassessment	Westpac's June 2020 Culture Governance & Accountability Reassessment
CORE Program or the Program	Westpac's Customer Outcomes & Risk Excellence program
Dependency or dependencies	Items that form part of a Workstream in the Integrated Plan that may affect another Workstream in the Plan, and actions outside the Integrated Plan that may have an impact on the Plan
EU	Court Enforceable Undertaking
First Report or the Report	This report, the Independent Review of Westpac Banking Corporation's EU Program
FTE	Full-time equivalent
GE	Group Executive (generally reporting to the Chief Executive Officer)
GM	General Manager (generally reporting to a GE)
GTO	Group Transformation Office
Integrated Plan or Plan	The plan Westpac has established in order to address APRA's concerns and to uplift Westpac's risk governance.
IT	Information Technology

Independent Review of Westpac Banking Corporation's EU Program

First Report

5 March 2021

JUNO	Westpac's integrated risk and compliance management system
Original CGA Review	Westpac's 2018 Culture Governance and Accountability assessment
Original CORE Program	The July 2020 Customer Outcomes and Risk Excellence Program
Promontory	Promontory Australia, a division of IBM
Risk Remediation Activities	Activities that Westpac is undertaking or will undertake, as part of its Risk Governance Remediation Agenda
Reporting Date	1 March 2021
SteerCo	The Westpac executive level Steering Committee for the Integrated Plan
Westpac or WBC or the Bank	Westpac Banking Corporation
WNZL	Westpac New Zealand Limited

Executive Summary

Background

On 3 December 2020, the Australian Prudential Regulation Authority (**APRA**) agreed to a Court Enforceable Undertaking (**EU**) from Westpac Banking Corporation (**Westpac, WBC or the Bank**) pledging to lift substantially its efforts to address risk governance deficiencies.¹ APRA expressed concerns with the Bank's progress in remediating weaknesses including an immature and reactive risk culture, unclear accountabilities, capability shortfalls, and inadequate oversight.

Under the EU, Westpac is establishing an Integrated Plan (**Integrated Plan or Plan**) to address APRA's concerns and to uplift its risk governance. The Plan builds on and substantially expands Westpac's existing Customer Outcomes & Risk Excellence (**CORE**) Program:

- It covers all aspects of Westpac's risk governance, across both financial and non-financial risk.
- With an expanded scope the Plan will extend over a longer time period, which will also better allow for the effective embedding of changes and outcomes in the Bank.
- The Integrated Plan and the supporting governance and accountability arrangements, have been developed to better deal with concerns around the management of interdependencies and execution risk.

The EU requires Westpac to assign accountabilities for delivery of the Integrated Plan to named executives and incorporate outcomes into remuneration decisions.

Westpac delivered its Integrated Plan to APRA on 26 February 2021.

Promontory's role

Under the EU Westpac is required to appoint an independent reviewer to report to APRA on:

- the status of compliance with the EU; and
- the status of compliance with the Integrated Plan and the implementation of the Plan.

Promontory Australia, a Division of IBM (**Promontory or we**), has been appointed as the independent reviewer under the EU. It covers our assurance over Westpac's development of the Integrated Plan to meet the terms of the EU.

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

Completeness of the Plan

Promontory considers that the Integrated Plan provides the foundation for a successful risk remediation program.

The Integrated Plan is complete, in that it covers all relevant risk governance remediation Activities across Westpac. Overall, the Deliverables across the Integrated Plan provide a sound basis for meeting the Workstream objectives and strengthening Westpac's risk governance.

In addition to the Plan, Westpac is establishing appropriate governance arrangements to oversee the Plan's implementation. The accountability structures that are being put in place should support the effective implementation of the Plan.

Promontory also observes that there are areas of detail where the Plan could be improved over time to assist with implementation. In some Workstreams these include:

- Refining some Deliverables that are expressed in broad terms and considering how the detailed outcome measures for these Deliverables, as well as the closure criteria for some Activities could be more closely aligned with the Workstream problem statements. This would enable Westpac to demonstrate tangible improvements in its risk governance.
- Ensuring the appropriate sequencing and coordination of Activities, especially those with dependencies. This will help reduce program execution risk.

Over the coming period Promontory will be reviewing underlying information that will support the implementation of, and accountabilities associated with, the Plan. The areas of further review will include the finalisation of management scorecards, the review of dependencies to better understand sequencing by reference to Activity start and end dates, and the review of underlying work plans that support the completion of the Plan's Activities.

Development of the Plan

Westpac was required to submit a plan to APRA within 90 days from the commencement of the EU. Promontory notes that Westpac has committed significant resources to developing the Plan over this period and there has been active and ongoing engagement by the Board and Senior Executives in this process. Westpac has been open and responsive to issues and challenges raised by Promontory during this period.

The Plan is designed to address the root causes of Westpac's risk governance shortcomings. Westpac had identified five root causes of its non-financial risk shortcomings in developing the original Customer Outcomes and Risk Excellence Program (**the original CORE Program**). Westpac undertook a process to reconsider these root causes in light of the EU, in particular to broaden the scope to address not only non-financial risk governance but also to ensure they reflect financial risk governance deficiencies. The root causes are:

- 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'.

The articulation of those root causes has been approved by the Board and Executive Management.

There was a thorough testing of risk governance deficiencies to ensure all relevant remediation actions were covered in the Plan. Westpac developed sound principles to underpin decisions about which remediation programs should be included within the Plan. As a result, the Plan includes upgrading Westpac's governance of key financial risks, including credit, market and liquidity risk. It also includes risk governance as it relates to technology and data risks. This has seen the CORE Program expanded from the original 14 Workstreams to 19 Workstreams.

Governance

Governance of the Plan needs to ensure effective oversight of implementation as well as the integration of the outcomes under the Plan into Westpac's ongoing risk governance.

The Board Risk Committee (**BRiskC**) will be the primary venue for board oversight of the Integrated Plan. Individual Directors will also have regular engagement with particular Workstreams. The focus of these meetings will be the design principles, progress, and achievement of outcomes.

The Executive Steering Committee (**SteerCo**) is the primary executive level governance body for the Plan and appropriately includes all Group Executives. Other executive level and program governance is comprehensive and supported by additional reporting.

The importance of prioritising outcomes has been a significant theme during the development of the Integrated Plan. The CORE Program governance forums, while maintaining a strong focus on good project management disciplines, should continue to emphasise the *outcomes* desired from the Plan, rather than a concentration on completing Activities.

It will also be important for Westpac to demonstrate a strong and sustained "tone from the top" in the implementation of the Integrated Plan, at Board, CEO and senior executive level. This has already been apparent in messaging around the original CORE program, but must be strongly sustained over the life of the Integrated Plan. This is necessary to ensure effective cultural change and to provide ongoing reinforcement of the need for the significant uplift in risk governance.

Planning for the resourcing and funding for the Integrated Plan includes consideration of personnel required for successful implementation, technology upgrades, and communication

and training materials. Resourcing will be an ongoing focus for Promontory during the Plan's implementation.

Managing Dependencies

Concerns were expressed in the EU about Westpac's ability to implement risk remediation programs effectively and consistently. It is therefore appropriate that considerable attention has been given to the management of dependencies during the development of the Integrated Plan.

Due to its expanded coverage, the Integrated Plan internalises a range of projects that previously sat outside the CORE Program. This should assist in the management of dependencies through more consistent governance and monitoring.

The inclusion of the Group Transformation Office (**GTO**) as part of the oversight structure also should assist dependency management. The GTO provides oversight across Westpac's portfolio of projects and supports group wide program methodologies and reporting.

While the structures to manage dependencies have been developed, Promontory notes that the Integrated Plan is broad and spans nearly all aspects of Westpac's operations. It is therefore complex and carries significant execution risk. As a result, Westpac will need to take steps throughout the Plan's implementation to:

- simplify the key messages about the Program for its staff so that they can understand the necessary changes and understand what they need to do; and
- ensure close and sustained attention on these project dependencies and project timelines.

Accountability

The establishment of appropriate accountabilities has been a focus during the planning period. The EU requires that Accountable and Responsible persons for the risk remediation Activities are specified in the Plan.

Accountabilities have been clarified and enhanced at both the Board and Executive levels, by incorporating these accountabilities into the Banking Executive Accountability Regime (**BEAR**) Accountability Statements.

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

- Individual CORE Workstream Group Executives (**GEs**) are accountable for Workstream delivery and design.
- Individual Divisional GEs are accountable for implementation and embedment of Activities under the Integrated Plan within their respective Divisions where applicable.

The principle underpinning accountabilities for the Integrated Plan is that delivery should, as

Independent Review of Westpac Banking Corporation's EU Program

First Report

5 March 2021



far as possible, align with existing business-as-usual responsibilities. This also helps to better embed accountability within Line 1 – the business executives.

Going forward - Implementation

A strong and sustained commitment to effective execution will now be the key to the success of the Plan. APRA identified weak execution as a cause of the bank's risk governance issues and set out that sufficient progress had not been made with the risk governance remediation agenda. The Plan provides a sound foundation for this remediation agenda - it will now be vital for Westpac to rigorously implement and embed the reforms set out in the Integrated Plan.

1. Introduction

1.1. Background to the EU

On 3 December 2020 Westpac offered, and APRA agreed to accept, a EU pledging to substantially lift Westpac's efforts to address risk governance deficiencies. APRA's key concerns arose from the findings of its risk governance review of Westpac, commenced in December 2019 in response to AUSTRAC's allegations of anti-money laundering (**AML**) breaches². APRA also examined risk governance reviews conducted by Westpac and third parties during 2020, including Westpac's own June 2020 Culture, Governance and Accountability Reassessment (**CGA Reassessment**) and the original CORE Program. Westpac's CGA Reassessment highlighted that the change achieved in risk governance since 2018 had been only 'incremental', and that its remediation efforts needed to be refocused and extended.

Following Westpac's Reassessment, APRA concluded that:

- Westpac's original CORE Program had not been sufficiently far-reaching to address effectively wide-ranging risk governance gaps and carried high execution risk;
- new 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; and
- weak execution was a key root cause of Westpac's risk governance issues.

As a result, the EU requires Westpac to:

- develop an integrated plan that incorporates all its major risk governance remediation programs, covering both financial and non-financial risk (known as 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 outcomes into remuneration decisions.

Promontory has been appointed to provide external independent assurance over the design and implementation of the Integrated Plan for the EU. This is our First Report with respect to the EU, with a focus on the *development* of the Integrated Plan.

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

1.2. Overview of EU Response

The EU requires Westpac to prepare an Integrated Plan in a form approved by APRA that details all the Activities Westpac is undertaking or will undertake, as part of its Risk Governance Remediation Agenda (**Risk Remediation Activities**). It also requires Westpac to establish appropriate governance structures, accountability arrangements and resourcing.

Westpac has expanded the original CORE Program, which was focused on non-financial risk governance, to include all significant risk governance matters to meet the terms of the EU. The Integrated Plan, which was submitted to APRA on 26 February 2021, is required to:

- identify how the Risk Remediation Activities fit within the CORE Program Workstreams;
- set out a clear timeline for the implementation of the Risk Remediation Activities; and
- specify the Accountable and Responsible Persons for each of the Risk Remediation Activities.

The EU requires the Independent Reviewer to report to APRA at the end of each quarter commencing from the date of the EU and continuing until otherwise agreed with APRA, on:

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

A stepped approach was adopted by Westpac³ to develop the Integrated Plan, including:

- Compiling the key risk governance deficiencies.
- Developing EU Response Principles and a target state for risk governance.
- Defining the scope of the EU.
- Creating the Workstream structure for the Integrated Plan.
- Validating comprehensiveness.
- Developing Integrated Plan details and adjusting the Plan to take account of dependencies and sequencing.
- Attestation and approval of the Integrated Plan.

Our assurance is focused on whether the Integrated Plan and supporting governance and accountability arrangements are in compliance with the EU. In providing assurance over whether the scope and construct of the Integrated Plan is in compliance with the EU, Promontory has used its best professional judgement to assess whether:

³ See Chapter 2 for more details of these steps.

- the scope of the Integrated Plan is sufficient and complete and includes all appropriate components - this takes into account other remediation activities designed to strengthen risk governance that Westpac is undertaking, or proposes to undertake, including activities in response to APRA's Prudential Reviews;
- the target states and closure criteria or project outcomes within the scope of the EU are appropriate. In this respect the root causes of the risk governance deficiencies that need to be addressed must be effectively identified - the closure criteria should be clearly linked to addressing those root causes; and
- management of dependencies has been effectively identified in the development of the Integrated Plan, both within the program and across programs, to ensure implementation risks can be identified and managed.

With respect to the governance structures and accountability processes that support implementation of the Plan, Promontory has used its best professional judgement to assess whether:

- clear accountabilities have been established to support successful execution of the Integrated Plan and its components;
- effective governance structures and processes are in place to ensure robust oversight of the execution of the Integrated Plan;
- the timeframe for delivery of the Integrated Plan is appropriate and allows sufficient time to demonstrate achievement and embedment of the desired outcomes of the Integrated Plan; and
- processes for ensuring adequate funding and resources are in place.

The following sections outline Promontory's approach to providing this assurance. In view of the tight timeframe for Westpac's response to APRA, Promontory provided progressive challenge to Westpac throughout development of the Integrated Plan.

1.3. Principles for Promontory's Independent Assurance

In order to assess the appropriateness of the Integrated Plan against the criteria of the EU, Promontory considered the following principles to guide our assurance and challenge:

- To be assured as complete, Westpac's approach should:
 - take into account all of the Risk Remediation Activities taking place across Westpac, with a broad view of what constitutes a risk remediation Activity;
 - identify and appropriately group Activities and Outcomes into common streams of work;
 - identify and articulate the principles that guide decisions to include or exclude a particular risk remediation Activity from the Integrated Plan; and
 - take into account the sufficiency of and topics within the current CORE Program.
- For the Integrated Plan to be effective on an ongoing basis, it should:

- be supported by a clear articulation of the root causes that led to the risk governance weaknesses, and have the articulation of the root causes approved at an appropriately senior level;
- provide clear problem statements for all Workstreams that are linked to the root causes;
- document objectives and outcome measures that clearly describe target states and how they address the root causes;
- provide clear executive accountability for the execution of Workstreams;
- provide for realistic resourcing and timelines for delivery of Activities, taking into account the effort needed to appropriately implement and embed outcomes; and
- recognise that many of the intended changes are inter-connected, and that some of the desired cultural changes are likely to take considerable time, which implies that the Integrated Plan will need an appropriate timeframe and will need to include periodic reviews to ensure that changes remain coordinated and achieve the desired result.

1.4. Assurance Activities

Our role as independent reviewer has encapsulated the following activities:

- Reviewing and challenging the construction and contents of the Integrated Plan, including:
 - attending workshops/meetings with relevant Westpac staff to understand Westpac's approach to assessing which remediation activities fall within the scope of the Integrated Plan;
 - reviewing draft working papers and other relevant documents setting out the approach and methodologies to guide inclusion of remediation activities within the Integrated Plan;
 - reviewing the governance arrangements supporting the development of the Integrated Plan;
 - reviewing the components of the Integrated Plan as they evolve, including as a result of outcomes from governance/reviews;
 - reviewing the approach to and results of the analysis of the root causes of Westpac's risk governance deficiencies, with a view to assessing the completeness of coverage of the Integrated Plan;
 - reviewing the inputs into the Integrated Plan, including the original CORE Program and existing remediation activities - this included a number of deep-dive discussions, including in relation to the scope of existing remediation activities;
 - attending senior executive governance and planning meetings throughout the development of the Integrated Plan to understand executive level leadership and ownership of and accountability for the Integrated Plan; and

- attending Westpac Board and Board Risk Committee meetings to understand Board oversight and challenge on the development of the Integrated Plan.
- Reviewing and challenging proposed governance arrangements by:
 - reviewing the effectiveness of the proposed governance arrangements to support execution of the Integrated Plan;
 - attending workshops/meetings with relevant Westpac staff to understand changes to the governance arrangements when compared with the original CORE Program; and
 - reviewing the amended terms of reference for Integrated Plan governance committees.
- Reviewing and challenging accountabilities by:
 - attending workshops/meetings with relevant Westpac staff to understand Westpac's approach to assigning accountabilities and responsibilities;
 - reviewing relevant documents setting out the approach and methodologies to guide the assignment of accountabilities and responsibilities; and
 - reviewing BEAR accountability statements and remuneration scorecards.

Document Reviews

We requested and reviewed documents focusing on the following topics:

- content of the Integrated Plan;
- development of the Integrated Plan;
- governance arrangements for the development of the Integrated Plan;
- governance arrangements for the implementation of the Integrated Plan; and
- accountability for implementation of the Integrated Plan.

The documents we reviewed included (but were not limited to):

- iterative versions of the Integrated Plan;
- Westpac methodology documentation;
- selected APRA Prudential Review reports over the period 2017 to 2020;
- Westpac principles for inclusion of programs of work within the EU scope;
- governance structures supporting the implementation of the Integrated Plan;
- terms of reference for central governance committees to support the implementation of the Integrated Plan;
- Board and Board Committee papers;
- Executive Committee papers;
- Westpac's principles for structuring accountabilities;
- BEAR Accountability Statements of accountable executives and target state designs; and
- Remuneration Scorecards for a sample of accountable executives.

Deep dives

Promontory participated in 4 Deep Dives that covered the following topics:

Table 1.1: Deep Dive Topics

Deep Dive	Date of deep dive	Topic
Deep Dive 1	18 January 2021	<ul style="list-style-type: none">• EU scope options• Approach to critical risk priorities
Deep Dive 2	19 January 2021	<ul style="list-style-type: none">• IT risk governance remediation
Deep Dive 3	29 January 2021	<ul style="list-style-type: none">• Approach to determine the scope of the Integrated Plan• Approach to governance• Approach to accountabilities
Deep Dive 4	11 February 2021	<ul style="list-style-type: none">• Role of the GTO

Promontory also attended a tripartite meeting with Westpac and APRA on 22 January 2021 to discuss Westpac's IT Risk Governance Remediation strategy, as well as the Board Risk Committee and Board meetings on 2 February 2021.

Promontory also attended several Westpac deep dives, including those involving Board members, in an observer capacity to obtain a better understanding of internal discussion and reviews.

Discussions and Meetings

Multiple discussions took place on a bilateral basis between Promontory and both APRA and Westpac. These provided the opportunity to discuss expectations, provide background and plans for work on the Integrated Plan, as well as provide ongoing feedback. A number of tripartite discussions with similar objectives also took place between Promontory, Westpac and APRA over the period through which the Integrated Plan was being developed.

1.5. Report Structure

This First Report is structured as follows:

- **Chapter 2** outlines components of the Integrated Plan, including its guiding principles and key elements of design and development.
- **Chapter 3** summarises the intended implementation of the Integrated Plan, including timelines, resourcing, and interdependencies of the Integrated Plan.
- **Chapter 4** summarises Westpac's approach to governance of the Integrated Plan.

Independent Review of Westpac Banking Corporation's EU Program

First Report

5 March 2021



- **Chapter 5** summarises Westpac's approach to managing dependencies affecting the Integrated Plan.
- **Chapter 6** summarises the identification, assignment and monitoring of accountability within the Integrated Plan.

2. Components of the Integrated Plan

2.1. Guiding Principles of the Integrated Plan

Westpac's Integrated Plan aims to substantially uplift both its financial and non-financial risk governance through addressing the root causes of risk deficiencies and embedding effective and sustainable reforms. It has expanded and built upon the base established by the original CORE Program.

The EU defines 'Westpac's Risk Governance' as *"the Risk Management Frameworks, the practices and culture that enable effective oversight of, and accountability for, identifying, monitoring and managing Material Risks"*. APRA also defines Risk Management Frameworks as *"the totality of the systems, structures, policies, processes and people within an institution that identify, measure, evaluate, monitor, report and control and/or mitigate internal and external sources of Material Risks"*.

Westpac has developed two foundational elements of the Integrated Plan, being:

1. a set of principles under which to develop the Integrated Plan; and
2. a target state for risk governance.

This involved:

- drafting principles to guide the structure of Westpac's response to the EU and defining accountabilities for delivering the Integrated Plan;
- consolidating statements of the root causes of risk governance weaknesses that need to be addressed - the approach adopted in developing this statement was to use the root causes identified in the CGA Reassessment (which led to the CORE Program) as a base and revise them to incorporate additional matters identified in the other material reviews; and
- outlining a target state for risk governance that informs how Westpac will monitor outcomes from the EU response as a whole and how Westpac defines objectives of the Integrated Plan Workstreams while ensuring they are collectively comprehensive.

Ultimately, the principles for inclusion within the Integrated Plan were guided by the need to focus on risk governance issues. The plan aims to have comprehensive coverage of both financial and non-financial risk governance across the bank.

Notwithstanding the above, two major program areas of the Integrated Plan go beyond direct risk governance matters because of their importance to overall risk management. These are Westpac's:

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

- Data Pillar 2, which is the pillar of work that is implementing Westpac's data management operating system.

2.2. Inclusion of Issues within the Integrated Plan

Westpac adopted a structured approach to determining the contents of the Integrated Plan. This started with a consideration of the root causes of its risk governance deficiencies. As noted above, these were:

- 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'.

The key steps involved in determining the contents of the Integrated Plan are summarised below.

1. Key risk governance deficiencies

Westpac compiled a list of its risk governance deficiencies from the findings identified in the following reviews:

- Westpac's 2018 Culture, Governance and Accountability assessment (**Original CGA Review**) and its June 2020 CGA Reassessment;
- Overview of Westpac's AML/CTF Compliance Failures Related to AUSTRAC's Statement of Claim, dated 4 June 2020;
- AUSTRAC AML Allegations: Root Cause Analysis Report, dated 7 May 2020;
- The Advisory Panel Review (AML/CTF), dated 8 May 2020; and
- APRA Prudential Reviews of Westpac undertaken between 1 March 2017 and 3 December 2020.

In addition, Westpac considered additional internal risk governance related reviews, including those commissioned at the request of regulators (e.g., the APRA required three-year comprehensive risk management review under Cross-Industry Prudential Standard 220: Risk Management) and other regulatory reviews. The identification of the risk-related matters served as the initial basis on which potential amendments to the Integrated Plan were considered.

The list of sources was reviewed by the EU Sponsor, the General Manager Enterprise Risk and the Chief Compliance Officer, and included input from the Chief Risk Officer and Chair of BRiskC.

2. Creating Workstreams for the Integrated Plan

Reflecting on the deficiencies and root causes identified, Westpac expanded the scope of the existing CORE Program to address additional matters required by the EU including:

- expanding the scope of the Workstream structure to address risk governance in credit risk, market risk, liquidity and capital adequacy risk, technology risk and data risk governance; and
- incorporation of work and activities previously being undertaken outside of the CORE program, such as culture, capability organizational design and obligations management.

In accordance with the existing CORE Program, each Workstream of the Integrated Plan is sponsored by an accountable GE. These sponsors have been selected to align as closely as possible with business responsibilities.

As a result, the Integrated Plan structure now includes a total of 19 Workstreams (as compared to the 14 Workstreams in the original CORE Program):

1. Board Risk Governance;
2. Executive Culture & Capability;
3. Risk Culture;
4. Organisational Design;
5. Remuneration & Consequence Management;
6. Risk Roles & Capability;
7. Transformation Capability & Delivery;
8. Risk Management Framework;
9. Non-Financial Risk Reporting & JUNO Functionality;
10. End-to-end Risk & Control Environment;
11. Assurance;
12. Compliance Management;
13. Conduct Risk;
14. Customer Complaints;
15. Technology Risk Governance;
16. Data Risk Governance;
17. Credit Risk Governance;
18. Market Risk Governance; and
19. Liquidity and Capital Adequacy Risk Governance.

3. Validating comprehensiveness

This step involved reconciling of each of the risk-related matters identified as part of the review referred to in step 1 above to one of:

- a) an Integrated Plan Workstream;

- b) a particular risk Activity outside of the scope of the EU (not related to risk governance);
or
- c) a closed risk issue recorded within its issues management system.

To then further validate the completeness of the Integrated Plan, Westpac expanded the review to additional sources to include all open high-rated issues in its issues management system (**JUNO**)⁴ and all open medium-rated issues raised as a result of external or independent reviews, deficiencies noted in the Enterprise Risk Management Dashboard, the Compliance Risk Management Framework Strategic Review and Divisional Out-Of-Red Plans.

There were extensive internal meetings to test and validate the comprehensiveness of the plan involving Group Executives (**GEs**), General Managers (**GMs**) and other senior staff.

4. Developing Plan details, and adjusting for dependencies

To integrate the in-scope items into the Plan, Workstream components were developed, including the following components:

- Problem Statement;
- Objectives;
- Workstream Deliverables;
- Activities and Activity Owners;
- Interdependencies;
- Target State and Outcome Measures; and
- Closure Criteria and Evidence.

These were developed with Workstream GE Sponsors working with Workstream GM Owners. The plan went through a review with the Workstream GM owners, Business Control and Monitoring GMs, GM Transformation Officers and working members of their respective teams. The CORE Program Central Team provided validation and oversight support to enable consistency and comprehensiveness in plan development.

Development of the Integrated Plan was iterative. As Workstream components were developed, the Workstream structure was updated to account for these refinements and improve alignment to accountabilities. Board members and GEs were provided with opportunities to provide input during this process. Promontory was provided with details and provided challenge on the approach and outcomes of the Integrated Plan development at various stages throughout the process.

The sequencing of the Deliverables and Activities within the Integrated Plan considered dependencies both within Workstreams and with programs outside of the EU.

⁴ Westpac rates all issues listed in its JUNO system on a high/medium/low scale according to criteria such as to urgency, priority or criticality.

Interdependencies were considered through a series of facilitated sessions attended by GM Workstream Owners and other relevant stakeholders to align key Deliverables and timelines, taking into account impacts on change capacity.

5. Attestations for and approval of the Integrated Plan

All GEs provided attestations to acknowledge and confirm their responsibilities under the Integrated Plan. The form of the attestation varied, depending upon whether the GE was also accountable for a Workstream:

- The attestations for Workstream accountable GEs address the completeness and design of the Workstream Activities, the appropriateness of Workstream timelines and the identification of dependencies.
- The attestations for all GEs address the implementation and embedment of Activities within the Plan, timeframes and milestones for delivery, the management of dependencies, and allocation of sufficient funding and appropriately skilled personnel for the completion of Activities.

In addition, the EU Sponsor's attestation also addresses matters related to his role as Sponsor (including in relation to the process used to develop the Integrated Plan and documents required to be lodged with APRA under the EU).

The Integrated Plan was approved by the EU Steering Committee and then submitted to the Board Risk Committee (subject to final edits) on 23 February 2021. The Board Risk Committee recommended to the Board to approve the Plan. The Board authorised a Committee of Directors to approve the final Plan, which was submitted to APRA on 26 February 2021.

2.3. Scope of the Integrated Plan

The application of the guiding principles and process for inclusion has resulted in Westpac scoping the response to the EU as follows:

Category	Scoping	Description
Geographical	In scope:	<ul style="list-style-type: none">• Westpac's banking business in Australia as an authorised deposit-taking institution (ADI).• How Westpac adequately oversees subsidiaries and their adherence to Westpac's risk governance requirements (including via attestations).
	Out of scope:	<ul style="list-style-type: none">• Westpac New Zealand Limited (WNZL) and other offshore operations as an entity.

Independent Review of Westpac Banking Corporation's EU Program

First Report

5 March 2021

		<i>Note: WNZL operations are in scope only to the extent that the Group's Australian Prudential obligations extend to the entity.</i>
Divisional	In scope:	<ul style="list-style-type: none"> All divisions (customer-facing businesses and functions) with the exception of the exclusions below.
	Out of scope:	<ul style="list-style-type: none"> All (proposed and future) sale transactions: once a contract is signed, Westpac, APRA and Promontory will discuss the appropriate treatment of that business. The treatment may be adjusted in case of timetable changes (in consultation with APRA and Promontory). If a sale does not proceed, Westpac will revisit the exclusion from the EU scope.
Thematic	In scope	<ul style="list-style-type: none"> Westpac's Risk Governance (as defined in Section 2.1). Risk Governance related to financial and non-financial risk, which includes: <ul style="list-style-type: none"> current CORE Program scope; uplift in risk governance areas not currently covered by CORE such as Data, Technology, Credit, Market, Liquidity and Capital Adequacy (with a focus on the processes of identifying, monitoring, managing and oversight of the risks relative to Westpac's risk appetite); incorporating relevant Activities currently being undertaken outside of the CORE Program such as obligations management, value chains, risk assessments and incident management; and enhancing JUNO and risk reporting.
	Out of scope:	Risk projects or risk management Activities not directly related to strengthening Risk Governance.

2.4. Plan Structure

Westpac utilised the structure of the original CORE Program as a base and developed this to include other key remediation projects and assigned accountabilities. The Program is built around the 19 Workstreams. Each Workstream comprises a group of Deliverables, and each Deliverable in turn comprises a number of Activities, classified as either a Design, Implement or Embed Activity. Each of the 19 Workstreams also identifies dependencies to support successful delivery in accordance with the EU. The components mapped for each Workstream are as follows:

	Components
Workstream	<ul style="list-style-type: none"> i. Workstream title ii. Workstream BEAR accountable executive iii. Workstream General Manager Owner iv. Workstream Objective v. Workstream Problem Statement
Workstream Deliverable	<ul style="list-style-type: none"> i. Deliverable title ii. Deliverable description iii. Deliverable due date iv. Target State v. Outcome measures
Workstream Activities	<ul style="list-style-type: none"> i. Activity phase (Design, Implement or Embed) ii. Activity description iii. Activity due date iv. Activity owner v. Closure criteria vi. Evidence requirements
Workstream Dependencies	<ul style="list-style-type: none"> i. Interdependencies (within CORE) ii. Program dependencies (outside CORE)

As this is Promontory's First Report with respect to the EU, our external independent assurance work reviewed the design and principles for development of the Integrated Plan, as well as its governance arrangements and accountabilities. Our future reports with respect to the EU will provide external independent assurance and review of the implementation of the Integrated Plan, by assessing and providing commentary on the closure of Workstream components outlined above.

2.5. Promontory's observations on the development of the Integrated Plan

Westpac has undertaken a significant exercise over a 90-day period to develop the Integrated Plan. The CORE Program formed an appropriate basis upon which to build the Integrated Plan to meet the scope of the EU, although it required significant expansion and strengthening.

Promontory considers that the Integrated Plan provides the foundation for a successful risk remediation program.

The approach and structure of Westpac's response to the EU requirements as they relate to the development of the Integrated Plan are sound (including coverage of both the financial and non-financial risk-related matters). The two foundational elements of the Integrated Plan (being the set of principles that underpin the scope of the Integrated Plan and the target state for risk governance with respect to each Workstream) are appropriate and sufficiently detailed.

The Integrated Plan has been developed on the basis of agreed principles, with extensive involvement of staff from across both the First and Second Line. Internal Audit has provided challenge through reviewing the development process for the Integrated Plan. Various governance forums, notably the BRiskC, have been given opportunity to provide input and challenge, and Promontory's observation is that the Board actively engaged with the development of the Plan. Westpac has been responsive in updating the Integrated Plan based on feedback provided through various mechanisms, including BRiskC feedback.

Promontory considers that the Integrated Plan:

- details all material Activities that Westpac is undertaking as part of the Risk Governance Remediation Agenda; and
- identifies how the Risk Remediation Activities fit within the revised CORE Program Workstreams.

The five root causes that have been identified by Westpac as contributing to its risk governance deficiencies have been reflected in one or more of the problem statements articulated for each of the Workstreams. The problem statements for the Workstreams generally provide an appropriate summation of the material risk governance deficiencies that have been identified. There is opportunity for improvement in the details of some of these elements in some Workstreams (see below) but, overall, the Plan appropriately reflects the causes of risk governance deficiencies.

The Workstream Objectives provide a succinct description of the intended outcome of the Workstream in light of the Problem Statement (i.e., the issue that the Workstream aims to address).

Overall, the Deliverables within the Integrated Plan provide a sound basis for meeting the Workstream objectives and strengthening Westpac's risk governance. The Activities have been designed with the intent of supporting Workstream Deliverables and addressing the

problem statements. In articulating the Deliverables and Activities we recognise there is a balancing act in the level of detail provided versus the length and complexity of the Plan. Outside of the Integrated Plan, we understand that each of the Workstreams will be underpinned by detailed work plans.

Promontory observes that there are areas of detail where some parts of the Plan could be improved to assist with implementation. In some Workstreams this would involve:

- Refining some Deliverables that are expressed in broad terms. That is, there would be benefit in better reflecting the relevant risk governance deficiencies in some instances to support a focus on these deficiencies over the life of the Plan.
- Considering how detailed outcome measures for Deliverables and closure criteria for Activities could be more closely aligned with the Workstream problem statements. This would enable Westpac to demonstrate tangible improvements in its risk governance. In relation to embed Activities and closure criteria specifically, Westpac could link the achievement of Workstream objectives and Deliverable target states to how the embedment is going to be demonstrated. This could include specifying the resulting behaviours or outcomes and articulating “what good looks like” if embedment is successful.
- Ensuring the appropriate sequencing and coordination of Activities, especially those with dependencies. This would help reduce program execution risk.

Through Promontory's ongoing assurance Activities over the closure of Activities we will assess whether the Activity not only meets the closure criteria documented within the Integrated Plan, but also whether it achieves or contributes to achieving the Workstream objective and the desired target state and deals with the identified deficiencies.

3. Timelines and Resources for the Integrated Plan

3.1. Timelines

The key change to timelines from the original CORE Program has been a significant extension to the overall timeline for the implementation of the Integrated Plan. This reflects both the expanded scope and the need to allow appropriate time to embed reforms to risk governance. The program is now anticipated to run through to end 2023.

The timelines in the Integrated Plan were developed with a range of factors being considered. Chief among them were concentration risk (e.g., a large number of Deliverables across Workstreams falling into the same time period) and the impact of the timelines on Westpac's ability to deliver and absorb change. Each Workstream GE provided an attestation that addresses the implementation and embedment of Activities, timeframes and milestones for delivery, how dependencies will be managed, the allocation of sufficient funding and having appropriately skilled personnel for the completion of Activities. The GE attestations also address the appropriateness of the timelines and identification of interdependencies in the Integrated Plan.

As the CORE Program continues, Westpac notes that it will continue to test sequencing based on any changes to the Program timelines and/or capacity challenges that arise. The Integrated Plan timelines will be overseen by the EU governance arrangements described in more detail in Chapter 4, and material changes to the Plan will be subject to the Change Control Management process that will be overseen by the SteerCo.

Table 3.1 below identifies the number of Activities due across Westpac's FY20 – FY24⁵, as per the Integrated Plan submitted to APRA on 26 February 2021. As reasonably expected, given the nature of the Program, Promontory observes that the majority of Design Activities are due earlier on in the execution of the CORE Program (FY20 – FY22) and, as the Program continues, the Implement Activities become due in FY21 – FY23. Finally, the majority of the Embed Activities are expected to be completed in the latter end of the execution of the CORE Program.

⁵ Westpac's Financial Year runs from the start of October to the end of September.

Table 3.1 Due Dates for Design, Implement and Embed Activities across Westpac's FY20 – FY24

Financial Year	Design	Implement	Embed	TOTAL
FY20	32	8	4	44
FY21	57	46	2	105
FY22	23	62	35	120
FY23	0	10	33	43
FY24	0	0	11	11
TOTAL	112	126	85	323

3.2. Funding and Resources

The cost estimates for the implementation of the Integrated Plan were constructed using a bottom-up approach, leveraging the approach followed for resourcing and funding in the original CORE program. Cost estimates cover both full-time equivalent (**FTE**) and non-FTE requirements (e.g., technology upgrades, communications and training materials).

Approved budgets from the original CORE Program for FY21 were carried forward to the new Workstream structure. Each Workstream provided its incremental cost for FY21 to complete the expanded scope of the Integrated Plan. Cost estimates were also made for the remaining years through to FY24. A similar process was followed for new Workstreams forming part of the Integrated Plan. Separate to Workstream specific costs, estimates were also made covering the CORE Central team, Line 2 program oversight, EU legal costs, and costs related to the role of the Independent Reviewer.

Each accountable GE Sponsor and GM Owner approved the relevant cost estimates and resourcing profile for their respective Workstreams.

Cost estimates cover both Workstream central costs and costs related to design Activities. Each Division is responsible for implementing parts of the program, embedding Activities, and providing the necessary resourcing to ensure sustainability. The package delivery mechanism (described in Section 4.4 of this Report) has been designed to assist Divisions to better understand these responsibilities. Any funding required by Divisions for implement and embed Activities will be included in each Division's business-as-usual (**BAU**) funding plan.

In relation to resources, Westpac noted that each Workstream has created a resourcing profile required to complete the Deliverables and Activities under the revised CORE Program. This was also considered during the cost estimation described above. Resource planning for FY21 has shown that a significant cost component relates to the use of supplementary contracted resources. Westpac has created capacity to draw down on external resources, if and when required.

As the implementation of the Integrated Plan progresses, the Divisional Finance representatives for each accountable GE will report on budgets each month. The CORE Central team will provide oversight of this process and report these in aggregate form to the CORE Governance Forum.

3.3. Promontory's observations

Timelines

Promontory supports the extension to the overall timeframe. We consider the timelines in the Integrated Plan to be reasonable and appropriate for a program of this size, but there will need to be close ongoing monitoring of progress and we will focus on this in future reports.

It is important that the Workstreams under the Integrated Plan contain clear timelines for implementation and that those timelines are realistic, taking into account available resources and capability, and the need to sequence dependent Activities. In respect of a few Deliverables Promontory will further consider the time provided for embedment. As Westpac moves from program planning to execution, it is critical that Executive Management and Board oversight emphasise the importance of meeting those timelines.

Promontory has observed that both the CEO and Board members have stated their clear expectations that the CORE Program must meet its timelines and that, where there are blockages, they should be addressed so that the timelines can be maintained.

Funding and Resourcing


Both resourcing and funding are areas that Promontory will monitor closely over the life of the Program. Areas of focus for assurance include:

- The rigour of financial reporting to the CORE Governance Forum, issues raised, and planned actions to address resourcing constraints or funding shortfalls;
- The scope and coverage of resourcing and cost estimates being tracked. This includes whether reporting covers the end-to-end implementation of all Workstreams and Activities covered by the Integrated Plan; and
- The approach taken by the Divisions to understand and plan for resourcing and costs for relevant implement and embed Activities. This includes immediate resources needed to complete Activities and resource planning to enable outcomes to be sustained beyond the life of the Program.

Independent Review of Westpac Banking Corporation's EU Program

First Report

5 March 2021



- Ensuring that there is careful consideration given to the use of external resources, including how this may impact on the sustainability of the outcomes achieved.

4. Program Governance & Oversight

4.1. Governance Principles

Westpac has built on the governance arrangements for the original CORE Program but refined and expanded them for the Integrated Plan.

The creation of the Integrated Plan helps to simplify prior governance arrangements. The various governance arrangements in place across programs that fell outside of the original CORE Program have been largely consolidated into the Integrated Plan governance.

4.2. Board Governance of the Integrated Plan

The effectiveness of the Integrated Plan relies on the Board and Executive Team providing effective Program Governance and oversight. This includes a sustained commitment to and strength of message about the CORE Program.

Board Risk Committee

The Westpac Board has assigned responsibility for oversight of the Integrated Plan to the BRiskC. This represents a change in the governance arrangements compared to the prior CORE Program, where oversight responsibility lay with the Board Legal, Regulatory and Compliance Committee (**BLRCC**), which is a sub-committee of the BRiskC. The change in oversight reflects the broader risk governance implications of the Integrated Plan, which better align with the Charter of the BRiskC. All Board members are invited to attend and participate in BRiskC meetings, and the BRiskC Chair formally provides a report on key matters from the BRiskC to the Board, which will include progress on the implementation of the Integrated Plan. Refer also to Section 6.2 for information in relation to Director accountabilities in relation to the EU.

Promontory has attended a sample of the BRiskC Deep Dives as well as individual Workstream director meetings. In February 2021, Promontory observed the following individual sessions within the original CORE Program:

- Workstreams 3, 6, 7 and 9 (Risk Cultures Behaviours & Measurement, Risk Frameworks, Second Line Risk Roles & Capability and Managing Risk in the First Line);
- Workstreams across 2, 5 and 14 (Executive Leadership Culture, Remuneration and Consequence Management and Accountability & Decision Making in Practice);
- Workstreams 4 and 13 (Enterprise Prioritisation and Change Management & Delivery); and
- Workstreams 10 and 11 (Issues Management and Controls).

Promontory also attended:

- BLRCC on 4 December 2020, which included a deep dive on Risk Culture; and
- BLRCC on 2 February 2021, which included a deep dive on Controls and Issues Management.

Director Workstream Engagement

In addition to Committee oversight, individual Directors will have periodic meetings on specific Workstreams. All Workstreams will be covered under this program. The objective of the director engagement with specific Workstreams is to facilitate greater understanding of progress at the Workstream level and allow for individual challenge, coaching and guidance from Directors, through direct engagement with the GE accountable for that Workstream.

There will also be a program of Workstream deep dives. This is intended to allow for more intensive oversight by the BRiskC.

4.3. Executive oversight of the Integrated Plan

The SteerCo has been expanded to take into account the revised scope of the Integrated Plan. The membership includes all Group Executives, including the CEO of WNZL. The inclusion of the WNZL CEO reflects the broader application of aspects of the Integrated Plan, specifically those Workstreams dealing with categories of financial risk governance. Outside the scope of the EU, WNZL will be accountable to implement specific Group-wide Activities where required and for delivery of specific risk initiatives in the WNZL business.

Decision making authority among the management level committees sits with the SteerCo, with its authority covering:

- consideration and approval of material changes to the Integrated Plan (e.g., scope, Activity and Deliverable due dates);
- endorsement of Package launches;
- material decisions impacting the implementation of the CORE Program, including removing blockages (Chapter 3 addresses decision making around funding and resources); and
- escalation of risks and issues to the BRiskC.

The remainder of the governance forums will continue to provide challenge and oversight of the topics within their terms of reference, largely with a focus on execution risks to the Workstreams, dependencies, and consistency of application of changes across the organisation.

Each Workstream has its own governance structure to oversee completion of the Activities. These are supported by decision making authorities in relation to the various activities being undertaken to achieve the desired outcomes. Ultimately, as noted in Chapter 6, accountability

Independent Review of Westpac Banking Corporation's EU Program

First Report

5 March 2021

for the execution of the Workstreams lies with the designated GE Sponsor and GM Owner. Accountability for implementation of the outcomes of the Workstreams within all of the relevant divisions lies with the BEAR accountable individuals for those divisions.

Table 4.1 lists the various management forums, their purpose and membership. The majority of forums were previously established under the original CORE Program, but have expanded scope as required (e.g., to cover financial risk). The Interdependency Review Forum has been added, recognising the importance of managing dependencies across a program of this scale.

Table 4.1: List of Integrated Plan Oversight Forums

Frequency	Forum	Purpose	Participants
Monthly	SteerCo	<p>Function: Decision making. Focus: CORE Program execution. Key decision-making forum for the Program including: consideration and approval of material changes to the Integrated Plan (e.g., scope, Activity and Deliverable due dates); endorsement of Package launch; material decisions impacting the operation of the CORE Program; and escalation of risks and issues to the BRiskC.</p> <p>More broadly, it provides Executive team oversight, allowing members to provide challenge and expertise and bring perspective to discussions, clear roadblocks, develop long-term solutions, and provide effective governance. The committee also monitors critical risk programs that are outside of the formal scope of the EU but have implications for the ability to evidence the embedment required under the EU .</p>	<ul style="list-style-type: none"> • CEO, Executive Team, GE EU / CORE Sponsor, GM CORE, CORE Program Director, CORE Communications Director, GM Group Audit (standing invitation)
	CORE Governance Forum	<p>Function: Challenge and oversight. Focus: Program execution. To track progress on CORE Program governance, evaluate delivery across the CORE</p>	<ul style="list-style-type: none"> • GE EU / CORE Sponsor, GM CORE, CORE Program Director, CRO Group Functions and Services, GM Group Audit & Deputy Chief

Independent Review of Westpac Banking Corporation's EU Program

First Report

5 March 2021

		Workstreams, raise and resolve risks and issues, manage dependencies, and escalate issues as appropriate to the SteerCo for decision.	Auditor, Head of CORE Project Office, CORE Executive Manager, CORE Communications Director, Head of Packages, Head of CORE Assurance, Executive Manager CORE Board & Executive Engagement, Portfolio Leads (standing invite)
	Divisional Delivery Governance Forum	Function: Challenge and oversight. Focus: Divisional implementation. Track progress on divisional implementation of the Integrated Plan across all Workstreams and on Packages, raise and resolve risks and issues related to division's ability for timely, effective implementation/ Package delivery, discuss and sign off Package scope, and decide on escalations to SteerCo.	<ul style="list-style-type: none"> • GE EU / CORE Sponsor, GM CORE, CORE Program Director, Head of Packages, Division GM Business Control and Monitoring (BCMs) (or equivalent)
Fortnightly	Design Authority ⁶	Function: Challenge and oversight. Focus: Design of Program Deliverables. Provide challenge and guidance on design of Deliverables, i.e., governance and culture frameworks, with the lens of adequacy, practicability, and dependencies/coherence.	<ul style="list-style-type: none"> • GE EU / CORE Sponsor, GM CORE, Chief Risk Officer, Chief Financial Officer, Chief Compliance Officer, GE FCCC, GM Enterprise Risk, CORE Program Director, Consumer GM BCM
	Workstream GM Governance Forum	Function: Challenge and oversight. Focus: Workstream execution. Provide updates on Workstream progress, raise risks and issues, highlight dependencies.	<ul style="list-style-type: none"> • GE EU / CORE Sponsor, GM CORE, CORE Program Director, Portfolio Leads, GM Workstreams

⁶ The Design Authority meets fortnightly or more frequently as required. This may reduce in frequency as the Workstreams move from design to implement and embed activities.

Weekly	Inter-dependency Review (New forum)	Function: Challenge and oversight. Focus: Interdependencies. Identify, raise and monitor the status of inter-project dependencies across the expanded CORE Program. Address blockages and issues.	<ul style="list-style-type: none"> • CORE PMO Team, Portfolio Leads, Package Delivery Lead
	Weekly Risks and Issues	Function: Challenge and oversight. Focus: Program risks and issues. Raise, discuss and monitor Program risks and issues, update Risks & Issues Register where required	<ul style="list-style-type: none"> • CORE PMO Team, Portfolio Leads, Package Delivery Lead

Management of dependencies will receive additional focus with the creation of the management-level dependency reviews. These support the upstream committees such as the CORE Governance Forum and SteerCo in the identification and management of dependencies.

4.4. Program Management

There is a dedicated Central Program Team established to oversee the CORE Program. The team will manage and oversee key aspects of the Program, including:

- **Governance:** control of the Integrated Plan, program governance, overseeing reporting and status of Activities, financial management and creation and maintenance of Program materials.
- **CORE Package delivery:** embedment of Activities through quarterly delivery mechanisms, oversight of delivery mechanisms and collection of evidence from divisions and co-ordination with assurance processes.
- **Workstream Lead support:** through a group of CORE Portfolio Leads within the Central Program Team, acting as key advisors to the GM Workstream Owners, providing challenge, monitoring progress and working closely with assurance management teams to oversee delivery of Activities.
- **Communication:** Group-wide communication campaigns, integration with the broader Westpac communication strategy, overseeing Workstream communication and driving strategic communication for CEO and executive narrative regarding CORE.

Additional group-wide program structure and frameworks are being provided through the restructured GTO. One of the key objectives of the GTO is to create a single view of major change, define transformation outcomes and manage interdependencies and capacity across the Bank.

The GTO has responsibility for oversight of all projects that are in the transformation plan across Westpac. This includes providing a group-wide view of prioritisation, taking into account sequencing and resourcing between the CORE Program and other programs and group-level reporting. This provides for greater visibility and structure in the identification and ongoing management of dependencies for CORE that sit outside the program.

In addition to the 19 Workstreams that make up CORE, the GTO is determining those projects in the transformation plan that are high priority programs. In general terms, the high priority programs are those that Westpac considers are on their 'critical path'. In determining these programs GTO is using the following criteria:

1. Programs that address Westpac's material external commitments (e.g., regulatory commitments to APRA).
2. Programs that address Westpac's strategic priorities (e.g., 13 CEO Objectives).
3. Programs that affect multiple businesses.
4. Programs that could involve dependencies with the EU.

The Executive team and the Board will be provided with details and reporting on these Programs from the GTO (separate to other CORE Program reporting), with the Board receiving quarterly updates and the Executive team receiving updates on a monthly basis. This will provide a view of the CORE Program that is independent of the standard reporting mechanisms used for the EU SteerCo, thereby providing an alternative perspective on program development and progress. The GTO dashboards are still under development but we understand will include outcomes, milestones, status and tracking to plan, risks, issues and dependencies. Promontory expects to receive and review the GTO Board and Executive team reporting once it goes live.

We note that, while the CORE Program will leverage the standards, frameworks, tools and processes established by the GTO, the CORE Program retains responsibility for the execution of the EU and for managing interdependencies within the EU.

4.5. Promontory's observations

Governance Forums

The proposed governance structures for the Integrated plan provide a solid foundation for overseeing and managing:

- the implementation of the Integrated Plan; and
- the sustainable integration of the outcomes achieved by the Integrated Plan into Westpac's Risk Governance.

Establishing oversight at the BRiskC is an important change relative to the original CORE Program. It reflects the extended scope of the Integrated Plan. Board oversight of Workstreams through the deep dives allows the Directors to gain a greater understanding of,

and ability to, influence outcomes. In addition to the BRiskC and Board deep-dive sessions, Directors will have sessions with the individual Workstreams that allow the accountable Workstream sponsor to engage with the nominated Board Director and allow the Director to provide observations to the BRiskC.

Adjustments to management-level governance forums appropriately reflect the scope of the Integrated Plan. Establishment of the GTO and its processes should facilitate management of dependencies on any activities outside of the CORE Program and management of resourcing availability of all program within Westpac's critical path.

Through the development and approval of the Integrated Plan, we have observed an engaged Board. All Board members have attended and participated in BRiskC meetings at which the Integrated Plan has been considered. As the Integrated Plan moves into implementation, across all governance forums, but particularly at the Board and Executive Leadership levels, we will continue to assess the level of review, challenge and impact provided over its progress and outcomes.

Governance forums will need to be supported by updated reporting. Information provided through to CORE Program forums will need to be expanded given the broader scope of the Integrated Plan and additional Workstreams. Over the coming period, we will assess the nature of information being provided to the governance forums.

Communications

It is critical that the Board and Executive team ensure a sustained commitment to and strength of message about the CORE Program so as to support implementation and group-wide cultural change. Promontory will therefore continue to monitor communication activities closely as the Integrated Plan moves from the planning to the execution phase.

Promontory observed that Westpac has leveraged the original CORE strategic communications framework, with additional messaging to reflect the expanded EU requirements. We consider this to be an appropriate approach for the development of communications for the Integrated Plan, and it will be important to convey the need for a substantial uplift in risk governance.

We note that alignment between the CORE Program and Westpac's broader cultural transformation initiatives, including the introduction of Westpac's Purpose, Values, Behaviours and focus on company-wide FY21 priorities, is evident in the revised communications approach. This ongoing alignment will be an important factor in ensuring the understanding of the importance of delivering and embedding Activities in the Integrated Plan. Communication and engagement metrics remain in place as a means of evaluating the effectiveness of the communication strategy.

5. Dependencies of the Integrated Plan

5.1. Approach to identification of dependencies

Considerable attention has been given to the identification and management of dependencies during the development of the Integrated Plan. Sequencing of the items in the Plan has considered dependencies both within the Integrated Plan (referred to as 'Interdependencies') and between the Integrated Plan and programs outside of the EU (referred to in the Plan as 'Program Dependencies'). Throughout this Report, the word 'dependencies' is used to refer to both Interdependencies and Program Dependencies.⁷

The expansion of the scope of the Integrated Plan compared to the original CORE program will assist with the approach to dependency management. This is because some programs previously outside CORE will now be brought within the Integrated Plan and therefore will have more consistent governance and reporting.

As part of the development of the Integrated Plan, Westpac has completed the following:

- **Interdependencies:** Interdependencies between Workstreams have been identified for Deliverables and Activities. The sequencing of Activities has considered the interdependencies between the Activities detailed in the Integrated Plan.
- **Program Dependencies:** Program Dependencies between Workstreams and programs outside of the EU have been identified and captured. Additional dependencies will be captured on an ongoing basis in the Program Dependencies Register and in accordance with the enterprise methodology prescribed by the GTO.

The CORE Program team worked alongside the GTO in relation to the management of dependencies on programs outside of the CORE Program to ensure the approach for dependency management is aligned. Accountable Workstream GEs have also played a role in the identification of dependencies and the level of impact through the development of the Integrated Plan. Attestations for Workstream accountable GEs included the identification of dependencies.

5.2. Dependency management

The tools in place to manage dependencies related to the implementation of the Integrated Plan are:

- The use of a dependencies register, split into:

⁷ In this Chapter we have used both the terms 'Interdependencies' and 'Program dependencies' to describe how these have been considered in the Plan, but otherwise we use the term 'dependencies' to cover both.

- Interdependencies: provide detail of the interdependencies within the Integrated Plan; and
- Program Dependencies: provide detail of the dependencies between Activities detailed within the Integrated Plan and programs of work being completed outside the scope of the Integrated Plan.
- Thematic interdependency matrix to support strategic discussions. This includes:
 - A one-page matrix showing interdependencies at the Workstreams level;
 - The level of dependency and criticality between the Workstreams (using a scale of high, medium, or low); and
 - The identification of themes (such as culture and Line 2 oversight).

5.3. Management plan for dependencies

The processes established through the original CORE Program are being used as the starting point for the ongoing management of dependencies both internal and external to the Integrated Plan. Enhancements have been made outside of CORE by integrating the GTO into Program Dependency management. The role of the GTO is explained in further detail below.

Management and oversight of dependencies varies depending on whether they are classed as Interdependencies or Program Dependencies.

For dependencies, the following management and oversight arrangements have been proposed:

- a) Ongoing management:
 - As part of the stakeholder engagement for the Integrated Plan, bilateral engagement between Workstream owners is expected to occur as required to identify new, and track existing, dependencies.
 - CORE Portfolio leads each support a small number of Workstreams that have been grouped together due to the strong links between them. Each Portfolio lead will have dedicated resources to oversee and track interdependencies.
- b) Governance forums:
 - CORE Team Scrum and dependency meeting (CORE central team, portfolio leads):
 - tracking and issue escalation (e.g., where delays pose a risk to dependent Activities).
 - Workstream General Manager Governance Forum (Workstream owners, CORE central team, portfolio leads):
 - discussion item on dependencies to surface and agree any new dependencies;
 - discussing thematic linkages and potential implications of Workstream actions on others; and

- tracking progress, escalating issues, removing roadblocks for key dependencies and identifying issues requiring SteerCo action.
- Design Authority:
 - review and challenge of Workstream plans and Deliverable design (including consideration of dependencies).
- Divisional Delivery Governance Forum:
 - discussion of dependencies with Divisional programs of work, in particular, dependency on critical resources (also for intra-program dependencies).

The forums above will be supplemented 'as required' with additional sessions established between Workstreams.

- c) Decision forums (to address trade-offs and dependency management decisions):
 - SteerCo (CORE Program Sponsor, Workstream sponsors and other SteerCo members).
 - CORE Governance Forum (CORE Program Sponsor, CORE team and Line 2/3 GMs).

For Program Dependencies, the GTO provides oversight through the development of an enterprise approach to managing Program Dependencies and constraints. The GTO's approach to the ongoing management of Program Dependencies includes:

- a) Delivery:
 - Monitor and track changes (scope, timing, resource requirements), and reallocate or re-sequence as required.
 - Reassess priorities to ensure that resources are effectively allocated.
- b) Decision support:
 - Proactively plan, monitor and resolve Program Dependencies and constraints.
 - Monitor enterprise capacity as well as cross-program and external Program Dependencies.
 - Resolve issues across divisions/programs/enterprise, escalate issues or prioritise decisions to relevant executive forums.

Following the transfer of accountability for the GTO to the Chief Financial Officer (**CFO**) in December 2020, the GTO is being restructured with the aim of increasing its capability to support Westpac's transformation agenda. This involves aligning the deployment of investment and people resources with the strategic priorities and required outcomes of the Bank. This work is not yet complete and, as such, we are not able to form a view as yet on the effectiveness of the GTO in managing Program Dependencies outside of the Integrated Plan. This will be a focus of our assurance work going forward.

In addition to the tracking of dependencies through the CORE Program and the GTO, every six months Westpac intends to undertake a foundational review of the Integrated Plan to confirm adequate prioritisation and sequencing.

5.4. Promontory's observations

Effective management of dependencies is an important component of the ability of the Integrated Plan to meet the timeframes that have been committed. In the EU, there are observations around deficiencies in Westpac's management of dependencies, particularly those dependencies between programs within CORE and outside of CORE, so it is critical that this is a strong focus under the Integrated Plan. Dependency management will also be a focus of Promontory's assurance.

As noted above, the expanded scope of the Integrated Plan has reduced some of the complexity of managing Program Dependencies, with several of the programs that were previously outside of the original CORE Program now within the Integrated Plan.

A sound process has been used during the development of the Integrated Plan to identify relevant Interdependencies and Program dependencies. Importantly this has included engagement with leadership of the impacted Workstream and the relevant part of the business. Our analysis of the dependency registers has identified areas where further detail and explanation may assist in clarifying whether the sequencing has appropriately taken into account the dependencies identified by Westpac. Over the next period Promontory will consider how the individual dependencies have been sequenced by reference to their start and/or end dates (or other dates as recorded by Westpac), as this is critical for their ongoing management.

Appropriate governance structures have been established to support the ongoing management of both Interdependencies and Program Dependencies. This includes mechanisms to resolve prioritisation issues within each Division through the mechanisms to be applied by the GTO. Over the coming periods Promontory will consider the effectiveness of these governance structures.

6. Accountability for the Integrated Plan

6.1. Principles for assignment of accountability

At the Board level, Accountability Statements for the non-executive directors have been amended to specifically address their responsibilities in relation to the Integrated Plan. The charter for the BRiskC has not required amendment to reflect the oversight of the Integrated Plan as the charter is consistent with that responsibility.

At an executive level, the principle underpinning accountabilities is that, unless otherwise required, accountabilities for the Integrated Plan delivery should align with existing BAU responsibilities.

As a result, accountabilities are assigned on the following basis:

- individual CORE Workstream GEs are accountable for Workstream delivery and design; and
- individual Divisional GEs are accountable for implementation and embedment of applicable Activities under the Integrated Plan within their respective divisions.

In general, the design components include standards, frameworks, processes and reporting mechanisms. A responsibility of the accountable GE is to give due consideration during the design phase to the ability of the divisions to implement the respective standards, frameworks, processes and reporting. The accountabilities recognise the need for suitable feedback loops, with the divisions to consider their ability to support effective implementation.

6.2. Identifying and assigning accountability

The Board is responsible for oversight of Westpac's risk governance remediation under the Integrated Plan and its response to the EU. Primary oversight will be through the BRiskC, consistent with the role of that Committee. In addition, individual members of the Board are providing more detailed sessions with the individual Workstreams, as described in Chapter 4, and there is a Workstream within the Integrated Plan specifically directed to Board oversight (Workstream 1).

At the Executive Management level, divisional GEs are accountable for risk management in their respective divisions, consistent with their current responsibilities. Where relevant, these divisional GEs will have additional accountability for the implementation and embedment of design Activities under the Integrated Plan within their respective divisions. They are also explicitly required to support the implementation of the Integrated Plan for those aspects relevant to their division and through their membership of the SteerCo.

To support the divisional GEs with the implement and embed Activities, execution of Deliverables will be in accordance with consistent standards, frameworks, processes and

reporting mechanisms. A number of these are being improved through the Integrated Plan itself.

With respect to execution of the Integrated Plan, as noted in Chapter 2 each Workstream has an assigned GE as Workstream Sponsor. These individual Workstream GEs are accountable for Workstream delivery and design.

It is recognised within this split of accountabilities across Activities that there is an inter-relationship between the phases of design, implement and embed. Workstream owners must take into account the Workstream's ability to implement and embed. This requires constructive engagement and feedback loops. As a result, effective consultation within and across divisions is a key responsibility of Workstream owners.

The accountabilities for the role types in the execution of the Integrated Plan have been established as described in Table 6.1 below.

Table 6.1: List of Accountabilities

Role	Accountability
Board	Responsibility for oversight of the implementation and operation of Westpac's risk management framework and for overseeing the effective response to the EU. Primary oversight of the EU will be via the Board Risk Committee.
Board Risk Committee	Primary Board-level oversight of delivery of the CORE Integrated Plan will be through the Board Risk Committee, recognising that the EU covers the effectiveness and implementation of Westpac's Risk Management Framework.
CEO	Accountable for risk governance and the effective delivery of the CORE Integrated Plan.
EU Group Executive Sponsor	Accountable for EU outcomes, with specific accountability for the delivery of the CORE Program including holding GEs/GMs to account, reporting progress to the regulator, change control, and critical path oversight supported by the EU Steering Committee providing Executive Team oversight.
GM CORE	Accountable for Risk Governance Program outcomes, including holding GEs to account for implementation and embedding.
Individual CORE Workstream GE Sponsor	Accountable for Workstream delivery (framework owners/design).

Individual Divisional GE	Accountable for implementation and embedding. Divisional GEs continue to have accountability for risks in their Divisions as part of BAU.
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Individual BEAR Accountability Statements, including for Non-executive Directors, the CEO, EU Group Executive Sponsor, Workstream GE Sponsors and Divisional Group Executives, were updated to align with the above roles and accountabilities in relation to the delivery of the Integrated Plan. Accountability Statements are effective as of 1 March 2021.

In addition, a Workstream GM Owner has been appointed for each Workstream. These GM Workstream Owners have responsibility for delivering Workstream outcomes and partnering with the Central Program Team to manage integrated delivery and assurance requirements. Internal Statements of Accountability for individual Workstream GM Owners will be updated and finalised by Westpac subsequent to the approval of the Integrated Plan.

It is the responsibility of GEs and GMs with formal accountabilities in relation to the Integrated Plan to communicate and cascade expectations within their teams to ensure adequate and ongoing awareness, understanding and prioritisation of the delivery of the Integrated Plan. Westpac has indicated that this will be supported by Program-related communications and performance review assessments and outcomes.

6.3. Monitoring accountability

Accountabilities for program outcomes are reinforced through performance scorecards. As with assigning accountabilities, the approach to adjusting performance scorecards has been to build on existing approaches and frameworks.

Performance scorecards have been reconsidered in light of the accountabilities established for the CORE Program. As at the Reporting Date, scorecards for the CEO, Group Executives, and other accountable personnel (e.g., GM Workstream Owners) are in the process of being updated. This is to ensure that accountability for the completion of Risk Remediation Activities in the Integrated Plan and alignment with the scope of paragraph 16 of the EU are appropriately reflected in metrics and weightings. This is in addition to existing scorecard metrics in relation to improvement of risk management and delivery of the original CORE Program. The revised scorecards are expected to be presented to the Board Remuneration Committee (**BRC**) for approval at the 10 March 2021 meeting. Promontory will review the final scorecards to assess whether they contain appropriate metrics and thresholds for GEs, GE Workstream Sponsors and GM Workstream Owners.

6.4. Promontory's observations

Clear and transparent accountability in relation to the Integrated Plan is critical for successful delivery of the Integrated Plan. Promontory notes that Westpac has addressed accountability

requirements under the EU through the revision of artefacts including BEAR Accountability Statements and performance scorecards.

Accountability

Promontory reviewed Westpac's Accountability Map and a sample of BEAR Accountability Statements including:

- Non-executive Directors;
- CEO;
- EU Sponsor;
- Workstream GE Sponsors; and
- Divisional GEs.

Based on our review, we consider that Westpac's Board and Executive BEAR Accountability Statements adequately reflected the appropriate accountability requirements in relation to the delivery of the Program as at the Reporting Date. We note that accountabilities in relation to the Integrated Plan were appropriately assigned to relevant individuals consistent with the roles outlined in Table 6.1.

In particular, we note that Westpac incorporated feedback from APRA, received during the Reporting Period, to strengthen the articulation of accountabilities, in particular with respect to EU Sponsor ownership, CEO oversight and alignment with key supporting governance documents such as the CORE Program Management Plan. We consider that the delineation between Workstream GE Sponsor accountability for Workstream design and outcomes and divisional GE accountability for implementation and embedment is sufficiently clear for accountability purposes. GE responsibilities in relation to SteerCo membership are also articulated within GE scorecards.

As at the Reporting Date Promontory considers that the Accountability Statements had been updated to demonstrate clear ownership and individual accountability for the delivery of the Program in alignment with paragraph 17 of the EU. Going forward we will monitor delivery execution in line with Accountability Statements and associated documentation, including updates that are made as required. In addition, we will consider how Westpac has cascaded accountabilities effectively (e.g., through Workstream GM Owner internal Statements of Accountability).

Remuneration and Scorecards

During the Reporting Period, Promontory reviewed the draft scorecards for:

- The EU Sponsor;
- One Workstream GE Sponsor; and
- One Divisional GE.

Independent Review of Westpac Banking Corporation's EU Program

First Report

5 March 2021



We observed from the sample that the draft scorecards described CORE-related accountabilities in line with the accountabilities for each relevant role as defined in Table 6.1. As at the date of this Report, an approach to amending scorecards to reflect weightings for CORE-related measures had been agreed between Westpac and APRA. The scorecards were to be approved at the Board Remuneration Committee meeting in March 2021. Promontory will consider the revised scorecards in subsequent reports.

Going forward, the key is how the accountability mechanisms are used to support successful delivery of the Integrated Plan. Promontory will monitor the correlation between Program delivery outcomes and remuneration outcomes, as well as governance mechanisms in place to ensure that scorecards remain fit for purpose in terms of their relevance for assessing the effective execution of CORE-related accountabilities by key personnel including GEs and relevant GMs.



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