



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

Prepared by Promontory Australia, a business unit of IBM Consulting

Eighth Report

7 February 2023

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

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

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

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

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Abbreviations & Definitions

| Abbreviation | Definition |
|-----------------------------|---|
| 3LoD | Three Lines of Defence |
| Activity | Each Deliverable in the Integrated Plan is comprised of a number of Activities, classified as either a ‘Design’, ‘Implement’ or ‘Embed’ Activity |
| APRA | The Australian Prudential Regulation Authority |
| BAU | Business As Usual |
| BCM | Business Control and Monitoring |
| BEAR | Banking Executive Accountability Regime |
| BLRCC | Board Legal, Regulatory and Compliance Committee |
| BNGC | Board Nominations & Governance Committee |
| BRemC | Board Remuneration Committee |
| BRiskC | Board Risk Committee |
| CBB | Consumer and Business Bank |
| CDE | Critical Data Elements |
| CEO | Chief Executive Officer |
| CGF | Core Governance Forum |
| Closure Criteria | The actions that should be taken to complete the Activity |
| Closure Pack | A package of documents collated by Westpac and submitted to Promontory, which sets out the tasks completed and materials evidencing completion of an Activity |
| CORE Program or the Program | Westpac’s Customer Outcomes and Risk Excellence Program |
| CORE Team | A centralised team of the CORE Program responsible for managing various aspects of the CORE Program, including information flows across the various governance forums, Workstreams, Divisions and with Promontory |
| CTO | Chief Transformation Officer |
| DCRO | Divisional Chief Risk Officer |
| DDGF | Divisional Delivery Governance Forum |

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| Abbreviation | Definition |
|--|---|
| Deficiencies | Westpac’s risk governance shortcomings as set out in the Deficiencies Register |
| Deliverable | A group of Activities that is part of a Workstream. |
| Deliverable Target State or Target State | Describes the outcomes to be achieved by completing a Deliverable |
| DIL Forum | Divisional Implementation Leads Forum |
| Divisions | The business units within the Westpac Group |
| DROC | Divisional Risk Oversight Committee |
| Eighth Report or Report | Promontory’s eighth report on the Independent Review of Westpac’s Integrated Plan, dated 7 February 2023 |
| EU | Enforceable Undertaking |
| FCC&C | Financial Crime, Compliance and Conduct |
| Fifth Report | Promontory’s fifth report on the Independent Review of Westpac’s Integrated Plan, dated 3 May 2022 |
| GE | Group Executive |
| GEM | Great Employee Moments |
| GM | General Manager |
| Integrated Plan or the Plan | The plan Westpac has established to address APRA’s concerns and to uplift Westpac’s risk governance |
| JUNO | Westpac’s integrated risk and compliance management system |
| Line 1 | Westpac’s First Line of Defence, the front line and operational Divisions |
| Line 2 | Westpac’s Second Line of Defence, the Group Risk function |
| Line 3 | Westpac’s Third Line of Defence, the Internal Audit function |
| LoB | Line of Business |
| Outcome Measures | Outcome Measures are defined at the level of the Program and are used to assess progress towards achievement of the overall objectives of the Program |
| Package | Westpac’s delivery mechanism that groups Activities in the Integrated Plan over a coming 90-day period to create a consolidated view of Divisional change requirements over that period |

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| Abbreviation | Definition |
|-----------------------------|---|
| Program Deliverable Metrics | A set of Deliverable-level metrics in the Integrated Plan used to consider progress against the Target State for CORE Program Deliverables, across the period of the Integrated Plan. |
| Promontory | Promontory Australia, a business unit of IBM Consulting |
| QBR | Quarterly Business Review |
| RAG | Red, Amber or Green rating |
| RAID | Risks, Assumptions, Issues and Dependencies |
| RAS | Risk Appetite Statement |
| RCMSA | Risk Culture Maturity Self-Assessment |
| RMF | Risk Management Framework |
| Reporting Date | 31 December 2022 |
| Reporting Period | This Report covers the period 1 October 2022 to 31 December 2022 |
| ROC | Remuneration Oversight Committee |
| RMS | Risk Management Strategy |
| Seventh Report | Promontory’s seventh report on the Independent Review of Westpac’s Integrated Plan, dated 28 October 2022 |
| Six-Monthly Review | Semi-annual review of the impact, effectiveness and sustainability of the CORE Program by Westpac |
| Sixth Report | Promontory’s sixth report on the Independent Review of Westpac’s Integrated Plan, dated 28 July 2022 |
| SBD | Specialist Business Division |
| SteerCo | The Westpac executive-level Steering Committee for the CORE Program |
| TOR | Terms of Reference |
| Westpac or the Bank | Westpac Banking Corporation |
| WIB | Westpac Institutional Bank |
| Workstream | An area of work in in the CORE Program |
| Workstream Objective | A description of the objective Westpac is aiming to achieve through the work being done in that Workstream set out in the Integrated Plan |

Executive Summary

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

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

Promontory has been appointed to independently review the execution of the program.

Since March 2021, Promontory has delivered a series of quarterly reports on Westpac's response to the enforceable undertaking. As with our previous reports, this report, our eighth, focuses on:

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

This report covers activity during the period 1 October 2022 to 31 December 2022. The status of the program is reported as at 31 December 2022.

Program Progress and Status

The remediation plan is made up of 353 separate design, implement, or embed activities. During this reporting period, Westpac continued to implement changes across the Bank and has reached a new milestone in closing two workstreams (workstream 5 and workstream 14).

As at the reporting date, Westpac had completed work on the design phase of the program with all 120 activities submitted to Promontory for assessment, and 119 activities assessed as complete and effective. Over 85 per cent of implement activities have been submitted and work is now acutely focused on the operationalisation of changes. Significant progress has also been made in the embed phase, with 17 embed activities closed and nine deliverables closed during this reporting period.

Westpac has sustained momentum in its execution of the program and the completion of activities has remained largely on track.

The program has now reached a critical point as it is approaching completion. At this important stage, the bank needs to carefully consider what is required to successfully conclude the plan in a way that ensures sustainable change. This includes evaluating whether the planned timeframe for completion of the program remains appropriate, as any adjustments or extensions to timing are best made earlier rather than later. This would help ensure that any

such adjustment was more transparent and better managed, with the ultimate objective of delivering enduring change.

Program developments

This reporting period saw the bank transition deeper into the embedment phase, with change activity moving further into divisions and increasingly forming part of BAU. The program continues to progress further into this critical phase, with Package 10 launched during the reporting period, consisting mostly of embed activities.

Reflecting the maturity of the program, Promontory has observed an uplift in certain governance forums as a mechanism to bring key internal stakeholders together and to surface issues through robust and challenging discussion. Several additional forums have been established to address specific implementation challenges or issues arising as part of the program. Transparency on status reporting has also appeared to improve this reporting period, with a good level of discussion on issues relating to red rated items. However, there still may be opportunities to minimise the risk of 'good news' bias and improve on reporting including to the Board.

Pleasingly, the challenges associated with the 3LoD model continued to receive consistent attention during the reporting period. This was among the matters raised during the director touchpoint sessions during the reporting period, with a particular focus on the complexities involved in transitioning responsibilities from Line 2 (Group Risk) to Line 1 (Operational Divisions). This was also an area of focus for Line 2 during the reporting period, with ongoing oversight through the 3LoD thematic working groups. Westpac continued to use communications as a tool to reinforce the role of risk to promote role clarity, with a focus on consistent tone from the top.

The overall program health status for resourcing improved over this reporting period, moving to Green in October. This was driven by actions taken to address resourcing issues across several workstreams, including funding for recruitment, hiring and the development of resourcing plans.

Promontory issued two 'incomplete' assessments during the reporting period. The assessments related to Westpac's Transformation Policy and Change Execution Frameworks. During the reporting period, Westpac undertook a causal analysis to understand the drivers behind activities with execution problems, examining prior incomplete assessments and 'near-misses' to identify remedial actions to avoid reoccurrence. A number of opportunities were identified to strengthen existing controls, with remedial actions developed and assigned owners in place to address these areas. The critical self-reflection undertaken by the bank is a positive example of learning from shortcomings and identifying actions to prevent them being repeated.

Focus areas

Westpac has continued to demonstrate a strong drive to deliver changes, with sustained commitment and focus across the group this reporting period. We observed demonstrable improvements in Westpac's operating environment, driven by clear structures, frameworks, processes, and an uplift in supporting data and tools. These developments should facilitate a more proactive approach to risk management and drive the right risk behaviours and organisational culture. With these achievements come challenges, many of which are familiar to the bank, and it is not surprising that areas such as consistency and change fatigue require continual focus. As noted in our previous reports, it is imperative that these challenges are met with the timely escalation of issues and robust oversight through governance forums to agree and implement appropriate actions.

Balancing the tension between quality and timeliness has been a persistent area of challenge for Westpac and has become more pronounced in this latter stage of the program. During the reporting period, Promontory observed instances where time pressures appeared to detract from a focus on the overall outcomes being sought by the program. A commitment to meeting timeframes is an important part of the program but should be appropriately balanced to counteract any perception that this takes precedence over sustainable and quality outcomes. This approach should be reflected in communication from the Board and Executive Leadership. Sharing insights to demonstrate how uplift measures have led to improved outcomes, or shortcomings where the outcomes have not reached the desired standard, can help reinforce the importance of quality.

With the program well advanced, the bank should reflect upon whether the timeline for completion, which was set in the early stages of the Program, remains appropriate in all areas. Much has been achieved to date, but timing pressures inevitably grow in the latter part of such broad based reform programs and it is therefore important to consider what is required to ensure effective delivery and any risks to successful operationalisation and embedment of the uplift measures in a sustainable way. Any adjustment to the timeframe should be viewed through the prism of the bank's overarching commitment to quality outcomes and evidence of the organisation's motivation to drive enduring change. It will be important for any adjustment to be communicated to internal and external stakeholders as early as possible.

In our last report, we observed that Westpac had experienced persistent challenges relating to the implementation and embedment of the 3LoD model. Since that time, Westpac has made significant inroads in the design of model and has clearly articulated a 'model on a page' outlining how risk is managed across the 3LoD. This will be supported by actions to uplift governance, measurement, and reporting to monitor and manage embedment of the model. While Westpac has made significant progress in the design of its approach, there remains much to do to successfully implement and embed the 3LoD model over time. Maintaining ongoing engagement with key stakeholders and governance forums, as well as ensuring effective interaction and challenge between Line 1 and Line 2, will be key to facilitating ongoing improved risk management and behaviours.

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During the reporting period, Promontory has observed clear shifts in the bank towards encouraging challenge, reflecting on shortcomings, incentivising good risk behaviour, and addressing poor risk behaviour. However, this positive evidence of progress in cultural transformation does not appear consistent across the organisation. Despite a recent internal review of its risk culture framework and the development of a 'Culture Plan on a Page', there is a need for the plan to be supported by greater detail to clearly set out the path forward. In this regard, the uplift to date is not at the level that would be expected at this stage of the program. Westpac has recognised these challenges and engaged an external third party to review the bank's risk culture initiatives. This is a positive opportunity for Westpac to identify where deficiencies exist and to refine and enhance relevant aspects of the program to ensure effective and sustainable improvement.

As activities increasingly shift into BAU, Westpac is entering one of the most complex phases of the program. This presents an opportunity for the bank to demonstrate how it is maturing and its willingness to learn from challenges and mistakes. During the reporting period we observed instances of issues being surfaced and the organisation critically reflecting to understand causes and contributing factors. A key example is the causal analysis performed to understand the drivers behind activities with incomplete or ineffective execution. A demonstrated willingness to acknowledge mistakes will facilitate an environment where employees feel encouraged to speak up and good risk management behaviours are recognised and rewarded. An ongoing focus on quality, sustainability, and challenge, will be key to fostering an environment which promotes transparency, reflection and proactive risk behaviours.

1. Introduction

1.1. Background

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

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

1.2. The Integrated Plan

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

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

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

Table 1.1: Themes and Workstreams

| Theme | Workstream |
|------------------------|--------------------------------------|
| Board Governance | WS1 - Board Risk Governance |
| Culture and Capability | WS2 - Executive Culture & Capability |
| | WS3 - Risk Culture |
| | WS4 - Organisational Design |

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

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

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

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

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

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

1.3. The CORE Program

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

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

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

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

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

1.4. Promontory's Approach

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

Our role as independent reviewer includes:

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

1.4.1. Assessing Effectiveness

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

For Design Activities, our assessments focus on whether:

- the Activity Closure Criteria have been met; and

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

For Implement Activities, our assessments focus on whether:

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

For Embed Activities, our assessments focus on whether:

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

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

- any outstanding queries identified by Promontory in assessing the preceding Activities have been addressed;
- all further information requirements from Promontory have been addressed;
- the measures and mechanisms used to support the maintenance of the Target State have been operationalised; and
- the completed Deliverable has contributed to achieving the Workstream Objective or, for the final Deliverable within a Workstream, that the completed Deliverable (together with other completed Deliverables) have, in aggregate, achieved the Workstream Objective.

The Deliverables within the Plan have been designed to address the identified Deficiencies.

1.4.2. Reporting

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

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

Promontory has delivered seven reports on Westpac's response to the EU, since March 2021, with this being Promontory's eighth report (**Eighth Report** or **Report**). This Report covers the period from 1 October 2022 to 31 December 2022 (**Reporting Period**). The status of the Program is reported as at 31 December 2022 (**Reporting Date**).

1.5. Report Structure

The remainder of this Report is structured as follows:

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

2. Program Progress

The Integrated Plan is made up of 353 separate Design, Implement or Embed Activities. This is an increase from 350 Activities in the last Reporting Period, due to the following 3 Activities being added:

- Activities 6.1.1a, 13.2.3a and 17.1.2a.

These Activities are grouped into 83 Deliverables which make up 19 Workstreams. As at the Reporting Date, Westpac had delivered Closure Packs (**Closure Pack**) for 273 Activities to Promontory.

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

- Westpac had submitted Closure Packs for 120 Activities to Promontory.
- Promontory had assessed a total of 119 Activities as complete and effective.
- One Design Activity previously assessed as incomplete has been reassessed as complete and effective.²
- We had not yet completed our assessment of one Activity.

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

- Westpac had submitted Closure Packs for 122 Activities to Promontory.
- Promontory had assessed three Activities as incomplete.
- Promontory had assessed a total of 101 Activities as complete and effective.
- We had not yet completed our assessment of 18 Activities.

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

- Westpac had submitted Closure Packs for 31 Activities to Promontory.
- Promontory had assessed a total of 17 Activities as complete and effective.
- We had not yet completed our assessment of 14 Activities.

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

² See section 5.5.4.

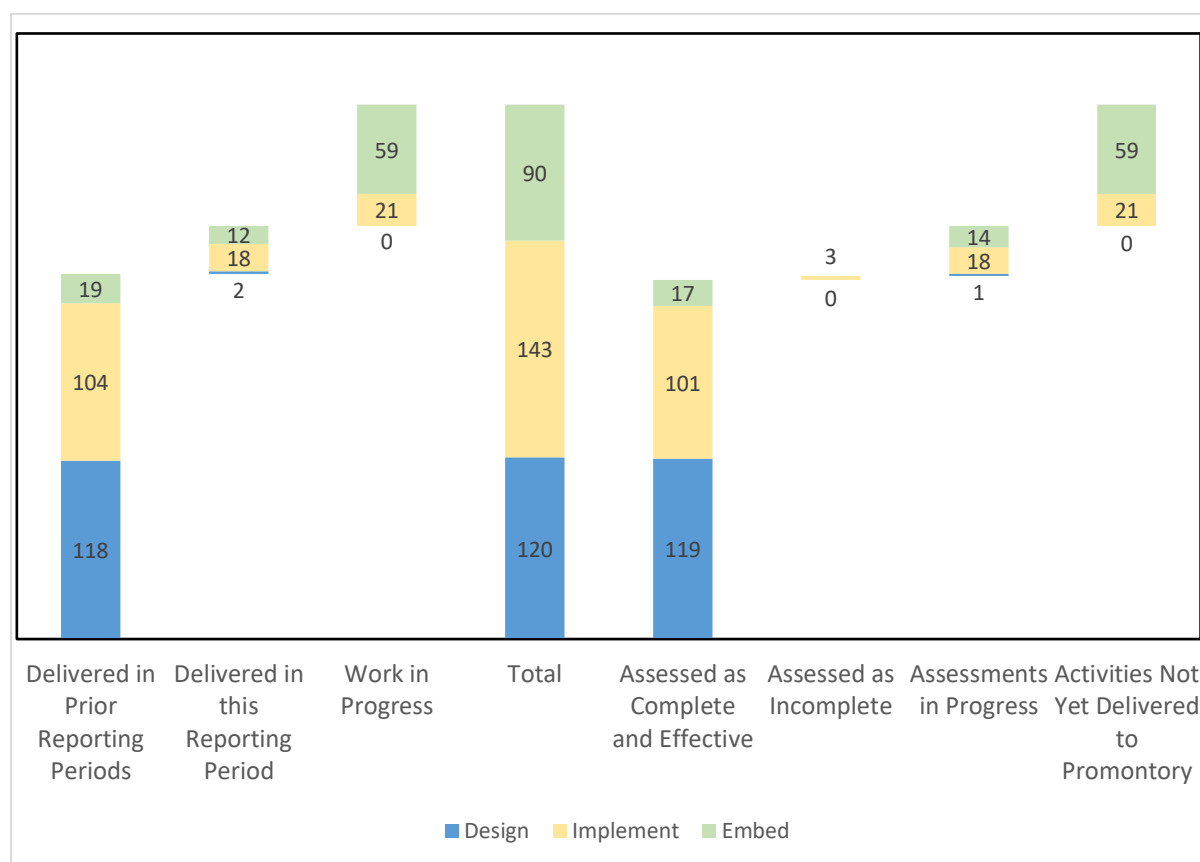
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- Westpac had submitted Closure Packs for 26 Deliverables.
- Promontory closed nine Deliverables.
- We had not yet completed our assessment of 17 Deliverables.

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

Figure 2.1: Program progress



Of the 240 Activities³ closed by Promontory, assessments of 26 Activities were completed during the Reporting Period. This consisted of three Design Activities, 16 Implement Activities and seven Embed Activities. Promontory also assessed eight Deliverables as closed. Further information on the assessment of these Activities is provided in Chapter 5.

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

³ This includes three Activities which have been assessed as ‘incomplete and ineffective’.

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Table 2.2 Program Progress by Workstream

| WS | Activities with Westpac | | | Activities Submitted to Promontory | | | Total |
|--------------|-------------------------|------------------|---|------------------------------------|------------------------------------|------------------------|------------|
| | Work Not Commenced | Work in Progress | Completed but not yet Submitted to Promontory | Assessment Underway | Assessed as Complete and Effective | Assessed as Incomplete | |
| 1 | 2 | 3 | 0 | 7 | 18 | 0 | 30 |
| 2 | 0 | 1 | 0 | 1 | 13 | 0 | 15 |
| 3 | 1 | 2 | 3 ⁴ | 1 ⁵ | 18 | 0 | 25 |
| 4 | 0 | 2 | 0 | 2 | 17 | 0 | 21 |
| 5 | 0 | 0 | 0 | 0 | 17 | 0 | 17 |
| 6 | 2 | 5 | 4 | 4 | 22 | 0 | 37 |
| 7 | 1 | 7 | 0 | 2 | 20 | 3 | 33 |
| 8 | 3 | 2 | 3 | 2 | 23 | 0 | 33 |
| 9 | 4 | 4 | 0 | 1 | 5 | 0 | 14 |
| 10 | 2 | 3 | 5 | 4 | 27 | 0 | 41 |
| 11 | 1 | 1 | 0 | 0 | 1 | 0 | 3 |
| 12 | 0 | 1 | 1 | 2 | 8 | 0 | 12 |
| 13 | 0 | 4 | 0 | 2 | 10 | 0 | 16 |
| 14 | 0 | 0 | 0 | 0 | 18 | 0 | 18 |
| 15 | 0 | 1 | 3 | 1 | 9 | 0 | 14 |
| 16 | 0 | 1 | 1 | 2 | 7 | 0 | 11 |
| 17 | 0 | 2 | 1 | 0 | 1 | 0 | 4 |
| 18 | 0 | 1 | 0 | 1 | 1 | 0 | 3 |
| 19 | 2 | 0 | 1 | 1 | 2 | 0 | 6 |
| TOTAL | 18 | 40 | 22 | 33 | 237 | 3 | 353 |

⁴ Westpac has advised that these activities have been completed but have not yet been submitted to Promontory for review pending the conclusion of the independent third party review into Westpac’s risk culture initiatives.

⁵ We note that this Activity has been received by Promontory and our review remains on hold pending the conclusion of the independent third party review into Westpac’s risk culture initiatives.

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| WS | Deliverables with Westpac | | | Deliverables Submitted to Promontory | | | Total |
|--------------|---------------------------|------------------|---|--------------------------------------|------------------------------------|------------------------|-------|
| | Work Not Commenced | Work in Progress | Completed but not yet Submitted to Promontory | Assessment Underway | Assessed as Complete and Effective | Assessed as Incomplete | |
| 1 | 0 | 4 | 0 | 4 | 1 | 0 | 9 |
| 2 | 0 | 1 | 0 | 4 | 0 | 0 | 5 |
| 3 | 0 | 3 | 0 | 1 | 0 | 0 | 4 |
| 4 | 0 | 2 | 0 | 2 | 0 | 0 | 4 |
| 5 | 0 | 0 | 0 | 0 | 3 | 0 | 3 |
| 6 | 0 | 6 | 1 | 1 | 0 | 0 | 8 |
| 7 | 0 | 7 | 0 | 0 | 0 | 0 | 7 |
| 8 | 0 | 5 | 1 | 1 | 1 | 0 | 8 |
| 9 | 0 | 4 | 0 | 0 | 0 | 0 | 4 |
| 10 | 0 | 4 | 3 | 0 | 0 | 0 | 7 |
| 11 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| 12 | 0 | 1 | 1 | 2 | 0 | 0 | 4 |
| 13 | 0 | 3 | 0 | 1 | 0 | 0 | 4 |
| 14 | 0 | 0 | 0 | 0 | 4 | 0 | 4 |
| 15 | 0 | 1 | 3 | 0 | 0 | 0 | 4 |
| 16 | 0 | 1 | 1 | 1 | 0 | 0 | 3 |
| 17 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| 18 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| 19 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| TOTAL | 0 | 47 | 10 | 17 | 9 | 0 | 83 |

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In the December SteerCo, the Program's overall health status for November 2022 was reported as Amber. This was due to risks associated with schedule and outcomes reported by Workstreams and Divisions. The Amber status in part also reflects performance against Deliverable Metric targets, confidence in meeting target states, and issues with the completeness of Activities.

In addition, the status of three Workstreams, WS3, WS7 and WS11 were reported as Red in the December SteerCo. The commentary relating to the status of WS3 noted concerns raised by Promontory relating to the effective embedment of the Risk Culture Framework. This is further discussed in section 4.3. The status of WS7 was driven by gaps identified as part of a deep dive conducted by the Workstream and is discussed further in Chapter 5. The status of WS11 reflects Promontory's incomplete assessment of one Activity, although progress has been made and an additional closure memo has been submitted for reassessment. This is further discussed in Chapter 5. Westpac is working to progress plans to move the status of these Workstreams out of Red.

3. Program Developments

3.1. Board Oversight

3.1.1. Board Committees

During the Reporting Period, Board oversight occurred mainly through the BRiskC where the Board discusses updates and reporting on the CORE Program. As noted in Promontory's seventh report (**Seventh Report**), during the last Reporting Period the Board Legal, Regulatory and Compliance Committee (BLRCC) held its final meeting and all of its responsibilities have now been rolled back to the BRiskC.

Promontory observed selected agenda items across two BRiskC meetings during the Reporting Period. The BRiskC provides updates to the Board, which includes reporting on the CORE Program. During these meetings, Promontory observed discussions of various risk issues, including consideration of the progress of and risks associated to the Program. Agenda items directly relating to the Program during the Reporting Period included:

- the CORE Report;
- a discussion on Promontory's Seventh Report; and
- a deep dive relating to Market Risk Governance (WS18).

Promontory has observed an orderly integration of responsibilities from the BLRCC to the BRiskC during the Reporting Period.

During the Reporting Period, Promontory met with the Chair of the BRiskC to discuss the committee's oversight of the execution of the Plan. During the discussion the Chair noted that given the high volume of change and busy agenda of the Board and its committees, it is important that the Board continues to allow sufficient time for exploring issues and challenging management.

Promontory also held a meeting with the chair of the Board Remuneration Committee (**BRemC**), which provided an overview of the interactions between the full Board, BRiskC and BRemC. Promontory observed a good flow of information between the relevant Board Committees on issues related to risk governance and accountability.

Promontory will continue to observe relevant BRiskC discussions on the progress of the Program during the next Reporting Period.

3.1.2. Director Touchpoints

During the Reporting Period, Westpac conducted six Director Touchpoints, as outlined in Table 3.1 below. All of these Director Touchpoints were observed by Promontory. Each Director Touchpoint was attended by one or two Directors and provided an opportunity for

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Directors to obtain deeper insights into a particular Division or Workstream and to provide challenge on the execution of aspects of the Program and Divisional execution.

Table 3.1 Director Touchpoint sessions observed by Promontory

| Director Touchpoints | Date |
|--|------------------|
| WS2, WS3, WS4, WS5 Culture and Capability | 1 November 2022 |
| WS15 and WS16 Tech and Data Management | 9 November 2022 |
| Westpac Institutional Banking (WIB) | 10 November 2022 |
| WS7 Transformation Capability and Delivery | 14 November 2022 |
| Consumer and Business Banking (CBB) | 16 November 2022 |
| WS17 Credit | 18 November 2022 |

Promontory continued to observe constructive challenge and discussion from the Directors on progress, risks, and outlook within the Director Touchpoint sessions this Reporting Period.

Themes which emerged during the discussions included:

- Ongoing challenges within the 3LoD model, including complexities involved in transitioning responsibilities from Line 2 (**Line 2**) to Line 1 (**Line 1**). This was also discussed during the last round of Director Touchpoints and noted in our last report as a challenge, with some Divisions flagging capability gaps and a hesitation to shift accountability within certain areas.
- The onboarding of Critical Data Elements (**CDEs**) with some areas noting progress (**WIB**) and other areas still experiencing challenges (**WS15, WS16, and WS17 Touchpoints**).
- Divisional concerns about the practical implementation of the Group Transformation Policy (**WIB, WS7, and CBB Touchpoints**).
- Discussion around measures which assess progress towards achieving the overall objectives of the Program (**Outcome Measures**) and understanding the underlying drivers in reporting Red, Amber, or Green ('RAG') status ratings.

These interactions provide an important opportunity for Westpac to promote two-way communication between Directors and management, and to discuss implementation and embedment challenges.

3.2. Program Governance Arrangements

3.2.1. Governance Forums

Promontory continued to observe the main governance forums, including the SteerCo and the new CORE GM Governance Forum (**CGF**) which was established in the last reporting period and replaces previous governance forums such as the Workstream GM Governance Forum

and Divisional Delivery Governance Forum.⁶ The discussion at SteerCo continued to demonstrate a focus on Workstream and Divisional status, Program risks, and Outcome Measures, among other matters.

As a relatively new forum, Promontory has observed that the CGF is proving effective at encouraging transparency and discussions relating to Program progress across the Workstreams and Divisions. The forum also raised the need to move away from Activity related discussion and focus on the more substantive challenges such as shifts in behaviour and how the operationalisation of Program-related changes is working in practice.

In this Reporting Period, Promontory also observed several additional forums established to address specific implementation challenges or issues arising as part of the Program. This included:

- **CTO Governance Forum – WS7 Delivery Forum:** This forum was established during this Reporting Period to bring key WS7 and Divisional stakeholders together to facilitate efficient feedback in relation to the delivery of WS7 activities. It includes representation across 10 Divisions, and Promontory observed a robust discussion with adequate representation to surface and respond to issues to help progress delivery.
- **Divisional Implementation Leads (DIL) forum:** This is a weekly forum seeking to raise and address blockers related to the Divisional delivery of the Program over the current and next 90 day period (the **Package** process). Promontory observed two sessions during the Reporting Period. The effectiveness this forum could be improved by allowing further time for discussion and questions on contemporary issues being experienced by the divisional implementation leads. Promontory will continue to observe sessions of the DIL forum in the next Reporting Period.
- **Conduct Risk, Organisational Culture, and Risk Culture Forum:** This forum commenced in July 2022 and meets every six weeks. Its purpose is to identify synergies and efficiencies in integrating initiatives across Conduct Risk, Risk Culture and Organisational Culture in support of Westpac's simplify agenda and sustained behavioural change across Westpac. Promontory observed good discussion on how linkages are being managed and what this means for sustainability at the Embed and Deliverable stages.

Promontory has generally observed that there has been an uplift in governance forums, where they have increasingly been used as a mechanism to bring together relevant stakeholders and surface issues in relation to the Program both at a theme or Workstream level, as well as at a more holistic level. This demonstrates a continuous alignment of the Program's governance forums with the relevant phase of the Program. It is positive to observe issues

⁶ The December SteerCo and CGF were conducted via circular.

being increasingly raised and discussed through a range of governance mechanisms and through the embedment phase there remain opportunities to continue to improve.

3.2.2. Status Reporting

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

Promontory continued to observe robust discussion and challenge on Workstream and Divisional Red/Amber/Green (**RAG**) status in governance forums, and sound discussion of the issues and actions related to Red rated items. Transparency on status reporting has appeared to improve over this Reporting Period, with WS7 moving to Red due to gaps identified in a deep dive conducted by the Workstream. These issues were identified ahead of the issuance of two incomplete assessments (7.3.2 and 7.6.5 – see 5.4). Issues with WS3 were also called out and discussed in the November SteerCo, ahead of reporting a Red rating in the December SteerCo. This is a positive shift, particularly following our last report which identified an overly positive tendency in some of the status reporting.

3.3. Risk and Group Audit Reviews

3.3.1. Risk Review

During the Reporting Period, Line 2 maintained its oversight over Program execution and the transition to BAU. This has involved moving away from Workstream oversight to a more holistic focus on execution of the Program within Divisions and across the Group as a whole, as discussed in the last report.

The oversight operating for Line 2 continues to have three key components including:

- BAU oversight of work underway in each Division through individual Divisional Chief Risk Officers (**dCROs**).
- A monthly meeting bringing together all dCROs to share observations, progress and insights across Divisions.
- Participation in the CGF, where any issues and observations identified as part of BAU activities are raised.

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

- The accuracy and use of status reporting, such as continuing to read across Workstream and Divisional ratings to identify inconsistencies, as well as ensuring that issues and risks identified are reflected in ratings and called out in the appropriate forums.

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- Challenging the work underway within Credit Risk (WS6 and WS17) in relation to the 3LoD target state, as well as stakeholder engagement as part of the Transformation Policy (WS7).
- 3LoD thematic working groups and attendance by dCROs.
- Review of Program Risks, Assumptions, Issues and Dependencies (**RAID**), and Transformation Workstream governance, for managing risks and issues.
- The effectiveness of combined Group Audit (**Line 3**) and CORE Central monthly meetings.

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

- The risk associated with changes to the Integrated Plan. Line 2 has observed that if major change requests continue to emerge and compress embedment timelines, it could place the Program at risk of not achieving outcomes by the scheduled end date. As part of this, Line 2 has reinforced the importance of appropriately responding to feedback and caveats from Promontory's assessment of Activities. As part of this Line 2 will focus on monitoring:
 - progress against addressing the five Root Causes;
 - potential delivery slippage over December 2022 and January 2023; and
 - financial impacts including FY23 cost targets, release from EU and capital overlay.
- Ownership of risk outcomes, as Line 2 has identified that significant risk management uplift will need to be demonstrated through the Embed phase of the Program.

3.3.2. Group Audit Review

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

The Report built on the observations in previous Group Audit Quarterly Reports, relating to risk management practices. Group Audit observed that results continue to indicate that progress is being made to uplift risk management. However, it noted that customer-facing Divisions, Risk, and Corporate Services and Technology, will need to maintain focus through the Embed phase of the Program to achieve expected outcomes.

Promontory continued to meet with Group Audit monthly over the Reporting Period to discuss Group Audit reviews relevant to the Program and exchange observations on Program Governance. Group Audit delivered 27 reports during the Reporting Period that were relevant to the CORE Program, covering a range of areas across several Workstreams.

Group Audit has finalised the scope areas as part of its next biannual CORE Program Oversight Review which will occur in Q2 FY23. This review provides Group Audit's observations on the design and operating effectiveness of the delivery processes and controls in the Program. As noted in our Sixth Report, the last review occurred in Q4 FY22 and concluded that there were adequate oversight processes in place, and rated management control as 'effective'.

3.3.3. Funding

During the Reporting Period, reporting on Program financials continued to be provided to the SteerCo. Westpac remains aware of the importance of appropriate funding and the risk that inadequate funding may pose to delivery of the Program, and this has not presented an issue to date.

Westpac continues to transition costs to regular operating expenses, rather than project expenses, to reflect the Program moving towards a regular operating basis. This has been reflected in the Workstream's financials reported to the SteerCo for the FY23 budget compared with FY22.

The risk of the cost reset resulting in the inability to meet CORE commitments continues to be a high-rated risk for the Program. Action plans continue to be progressed and it remains crucial that this risk is well-managed to maintain sustainability of improvements beyond the life of the Program.⁷

3.3.4. Resourcing

The overall Program health status for resourcing improved significantly this Reporting Period, and moved from being reported as Amber and 'on-watch' in the September SteerCo to Green in the October SteerCo.

Resourcing issues have been addressed across several Workstreams (WS6, WS7, WS9, WS10, WS11) with actions taken including:

- Funding received to enable appropriate recruitment (WS6).
- Allocation of additional resources via reprioritisation (WS19)
- Hiring key resources to address capacity gaps (WS7, WS10, WS11, WS17).
- Workstream wide skills assessment undertaken and a resourcing plan developed (WS9).

Resourcing constraints are still being reported across two Workstreams (WS3 and WS17) and two Divisions (Corporate Services Technology and Treasury), however Westpac has noted that it has not seen any direct impact on performance due to resourcing deficiencies.

⁷ Westpac's cost reduction Program is discussed in our Fourth Report. More information is available at: <https://www.asx.com.au/asxpdf/20211101/pdf/452f0vnhjsjxrg.pdf>.

It will be vital for resources to be maintained at appropriate levels throughout the latter part of the Program. Governance forums supported by transparent reporting and fulsome commentary will continue to play a key role. These forums will need to ensure that resourcing challenges and their impacts are appropriately oversights and facilitate the timely implementation of actions to address issues.

3.4. Communications and Change

Communications continued to be an active focus for the Program, with the aim of supporting the risk culture and behavioural change aspects of the CORE Program. During the Reporting Period, the CORE Communications Strategy for FY23 was finalised, and is focused on supporting the embedment of sustainable change into BAU. The strategy outlines a three-part approach to delivery:

1. Reinforcing the role of risk in the implementation of the refreshed Group strategy and success measures.
2. Consistent messages to maintain momentum in Program implementation, continue tone from the top, focus on outcomes, ensure effective communication into Divisions and address change fatigue.
3. Support behaviour change through engaging with middle management.

Over this Reporting Period, there was a focus on consistent tone from the top to reinforce proactive risk management and role modelling behaviours. As part of this, the following communication strategic initiatives were delivered during the Reporting Period:

- CEO Awards and update on CEO priorities for the year ahead: every nomination for the CEO rewards was required to demonstrate positive risk behaviours and this was integrated within the assessment criteria. The CEO update on the priorities for the year ahead recognised the progress to date on the Program but reinforced the importance of staying the course and the need to embed cultural change.
- Sessions with program stakeholders and HR GMs on specific areas of uplift delivered as part of the Program, to support the sustainability of changes. A roadshow and training sessions were delivered to Divisions on Risk Goals and My Risk Accountability profiles, detailing transition plans and where to go for ongoing support.
- Navigate Leadership Session: held for senior GMs and GM1s with almost 500 attendees. The session provided an opportunity to discuss issues and lessons learnt, reinforce a proactive risk mindset, and encourage leaders to reflect and act upon any potential issues in their area. Leaders are expected to hold a similar session with their teams, supported by a 'Huddle Guide' and Leader Risk Guide. This is designed to enable structured discussions relating to risk management and risk culture.

Westpac has described different models for hosting the GM forums, with the GM1 forum being a lengthier session including a range of senior speakers when compared with the forum for GM2-5 cohorts. We noted opportunities to deliver sharper messages and directly engage with the middle management cohort. While Westpac is currently relying on the senior cohort to role model for teams, deliver messages, and provide coaching and training, it is currently exploring opportunities to engage with middle management more directly.

3.5. Change Management

3.5.1. Packages

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

Table 3.2 Package Message Anchors

| Package number | Message anchor |
|----------------|---|
| 1 | Building a strong foundation. |
| 2 | Strengthening risk foundations and culture through enhancing capability, tools and learning. |
| 3 | Sharpening our issues management capability. |
| 4 | Continuing to master the fundamentals of proactive, hands-on risk management. |
| 5 | Strengthening risk disciplines with a focus on obligations, issues and incidents. |
| 6 | Lifting our risk disciplines through improved risk management, infrastructure and reporting. |
| 7 | Managing the business well – lifting and strengthening risk disciplines. |
| 8 | Strengthening risk capability through consistent operating rhythms and practice. |
| 9 | Maturing risk capabilities and disciplines through consistent practice to support a well-run business. |
| 10 | Reinforcing proactive risk management and culture – by driving consistent and sustainable behavioural change to more effectively manage risk. |

These message anchors link to aspects of Westpac’s overall organisational strategy and help to maintain focus on the overall aim of the Program, to uplift Westpac’s risk management and governance.

Package 10, which consists of 34 Embed and 7 Implement Activities, is intended to drive outcomes through:

- upgrades to JUNO functionality, standardisation of controls and the embedding of processes to uplift data quality in JUNO and enable Divisions to actively monitor and report on data quality trends;
- further embedment of Value Chain management to strengthen Westpac's ability to effectively manage change impacts and run the business well;
- Divisions embedding risk culture assessments and action plans to reinforce the proactive management of emerging, reputational, and sustainability risk; and
- embedding first line capability uplift assessment and execution of FY23 Assurance Plans to strengthen the 3LoD.

The Program used the Package launch to reinforce the importance of staying the course and maintaining focus to demonstrate embedment over the next 12 months.

3.5.2. Change Control Mechanism

During the Reporting Period, Westpac continued to manage changes in a structured manner within the Program through the change control mechanism. In any program of this nature, it is important that there is an effective change control mechanism to ensure that the Program adapts when necessary and that there are appropriate governance processes around changes. The change control register tracks change requests and includes details such as rationale, impact, records of approvals, and status of the request.

During the Reporting Period:

- 16 new change requests were logged in the change control register. These change requests included the introduction of a new Activity, the extension of Activity and Deliverable timeframes, reassignment of accountable GM Workstream owners, amendments to Workstream and Activity descriptions, and amendments to the Deficiencies Register.
- 18 change requests were closed as approved. They included the introduction of a new Activity for WS17 (Implement Activity 17.1.2a), a change to the Activity Due Dates and Deliverable Metrics for Deliverable 9.4, amendments to the Deficiencies Register, and the extension of timeframes for 7.3.2a and 7.3.3 (assessed as having a 'major' impact).

As the Program embeds further, it is increasingly important to ensure that changes to the Plan go through the appropriate governance processes to ensure challenge and the escalation of any material or systemic issues within a Workstream that may raise risks for the timeframes in the Plan. This includes any key management decisions related to Deliverables that may have potential impacts on the scope of implementation.

3.6. Other Program Developments

3.6.1. Incomplete Assessments

During the Reporting Period, Promontory issued two 'incomplete' assessments for Activities 7.3.2 and 7.6.5 which relate to Westpac's Transformation Policy and Change Execution Frameworks respectively. Promontory has now assessed three Activities within WS7 as incomplete, with 7.2.2 also previously assessed as incomplete (see Promontory's Sixth Report). Westpac has been working to resolve issues identified in relation to 7.3.2 and 7.6.5 and has provided Promontory with information to address the issues identified in 7.2.2. In a Program of this size and complexity, it is expected that there will be issues from time to time.

Promontory assesses an Activity as incomplete where material issues are identified with meeting an Activity's description, its Closure Criteria or the Deliverable Target State at the time the assessment is undertaken.

Any concerns identified by Promontory are raised through the assessment process to ensure that Westpac has an opportunity to respond to the issues and determine measures to address them. However, it is recognised that an early indication of issues will not necessarily avoid an Activity as being assessed as incomplete, nor will the early identification of issues always be possible. In circumstances where Promontory assesses an Activity as incomplete, and Westpac subsequently takes remedial steps, Promontory will reassess the completeness of the relevant Activity.

3.6.2. Incomplete Assessment Causal Analysis

During this Reporting Period, Westpac undertook a causal analysis to understand the drivers behind its 'incomplete' assessments and 'near-misses'⁸, as well as identify and apply remedial actions to avoid reoccurrence, particularly where there are repeated causes. This is in recognition of the risk that inadequate implementation of Activities poses to the Program's desired outcomes.

The analysis indicated that while there are no systemic issues in the delivery of the Program, there are themes across the incomplete and near-miss Activity assessments and opportunities to strengthen existing controls. Key findings identified in relation to these Activities included:

- Lack of consideration of sequencing across the Plan, particularly within or across Workstreams.
- Inconsistency in the use of the formal change control process to make transparent changes to the Plan.

⁸ The Activities considered as part of the analysis were 7.2.2 (incomplete) – see Sixth Report, 11.1.1 (incomplete), 13.2.2 (near miss), 3.3.6 (near miss), and 3.3.7 (near miss) – see Seventh Report.

- Staff turnover particularly among Workstream Owners and within Workstreams impacting capacity and transfer of knowledge.
- Opportunities to improve governance rigour and oversight; and
- Compression of timelines in some instances resulting in insufficient time to allow for effective oversight and challenge of outputs.

Westpac have developed remedial actions with assigned owners and due dates to address these areas, with a number of changes already in place. These will be monitored for completion in relevant governance forums.

Westpac's proactive action to reflect on experience with incomplete assessments and take action to address repeated issues is a positive example of the Bank seeking to learn from shortcomings. The effectiveness of these actions will depend on the extent to which the learnings are shared and filtered beyond the CORE Central team, and Workstreams taking ownership in addressing issues.

3.6.3. Six-Monthly Review

The third formal Six-Monthly Review of the Program is currently underway and will be completed during the next reporting period. The review provides an opportunity for Westpac to reflect on whether it is effectively executing the Integrated Plan and achieving the required risk governance uplift in ways that are sustainable and evidenced by demonstrable outcomes.

During this Reporting Period, Westpac reviewed issues identified through the Material Matters process and this was shared with the SteerCo. This involved consideration of relevant risk governance matters and the root causes identified under the Program, to determine whether additional root causes should be addressed or the scope of the Plan should be amended. The Material Matters process did not identify the need to make significant changes to the Plan itself or lead to any additional root causes. Activities are continuing into the next reporting period, with a leadership event scheduled in February 2023.

This Six-Monthly Review will be an important opportunity for the Bank to undertake a critical appraisal of the Program and progress to date and inform and set realistic expectations for the year ahead. As part of this, Westpac will need to ensure progress is assessed beyond the specific actions being delivered, and also consider whether the right outcomes are being achieved.

3.6.4. Workstream Closure

This Reporting Period, Promontory closed the first two Workstreams of the Program (WS14: Complaints Management, and WS5: Remuneration and Consequence Management). This represents a significant milestone for the Program. A Workstream is closed when all Deliverables within the Workstream have been closed, the Target States and Objectives have been achieved and Sustainability Principles have been demonstrated and operationalised.

Given the time left in the Program, Promontory will review the FY23 Annual Remuneration Cycle as part of WS5 to validate that the Target State is sustained. There may be other instances in the closure of future Workstreams where Promontory will continue to monitor the operationalisation of a particular element of the Workstream to ensure the Target State is maintained.

3.6.5. Measuring Program Outcomes

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

- Approximately 180 Program Deliverable Metrics, which measure performance against the Target State for individual Deliverables within the Integrated Plan.
- Approximately 50 Outcome Measures, which are BAU measures that will continue beyond the completion of the Program. These measures are intended to provide a view of select business performance measures that, in aggregate, will indicate whether Westpac is seeing the necessary uplift in risk governance and culture.

During the October SteerCo it was reported that approximately 75% of Outcome Measures with FY22 objectives met their objectives, with positive progress on measures related to risk management tools, organisational structure, and follow-through and fixing.⁹

Deliverable Metrics

Reporting on Program Deliverable Metrics has been fully operationalised across the Program, with the exception of Deliverable 11.1 which will commence reporting results in Q2 FY23. During the Reporting Period, Workstreams were provided with revised guidance on how to determine the RAG status of the 'Workstream Outcome' health status rating. This aggregates the health of all Program Deliverable Metrics across a Workstream and introduces a qualitative assessment of progress towards the Target State as part of the overall status rating. This guidance is expected to be used by Workstreams in the next quarter.

Outcome Measures

As noted in our Seventh Report, in the last reporting period Westpac finalised its FY23 Outcome Measure objectives following a challenge session with all stakeholders. Further analysis is expected to occur as part of the Six-Monthly Review currently underway.


Outcome status reporting across all Divisions commenced during the end of the Reporting Period and supporting guidance was provided to ensure consistency in status reporting and the assessment of RAG status. Confidence levels in meeting FY23 Outcome Measure objectives determine the overall Outcome Measure RAG rating for the Division.

While not an independent trigger for action, Outcome Measures have been used to identify issues and where risk is out of appetite. The changes made in the last reporting period to align

⁹ Note this reporting to the October SteerCo relates to the previous quarter.

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Outcome Measures to the Program's Root Causes and Target States are also expected to generate insights around potential issues and identify where further uplift is required.

4. Observations and Focus Areas

Westpac has maintained momentum in the execution of the CORE Program, thereby contributing to improvements in risk governance and risk management across the organisation. The drive to deliver changes during this Reporting Period continued as Westpac worked through the implementation phase and moved deeper into the embedment phase. We observed sustained commitment and focus across the Group to Program delivery and it will be increasingly important for this approach to endure over the coming period, supported by a strong tone from the top.

This Reporting Period saw the Bank reach a new milestone, with two Workstreams closed¹⁰, and others nearing completion. We continued to observe demonstrable improvements in Westpac's operating environment as a result of the implementation of clearer structures, frameworks and processes as well as the notable impacts from value chain implementation and uplifts to supporting technology and data tools. The Bank has greater visibility across a range of risk-related metrics and, over time, this should facilitate a more proactive approach to risk management as processes continue to mature and the quality of data improves. These developments should also support desired changes to risk behaviours and organisational culture and thereby improving the experience for Westpac's customers.

Alongside these achievements, we also observed persistent challenges, some of which are being exhibited in different ways as the Program progresses further into operationalisation and embedment. These include delivering consistent implementation, balancing an increasing tension between quality and timeliness as the Program enters its latter phase, and the varying levels of transparency in reporting at times impacting robust governance and oversight.

Promontory notes that it is a positive sign that a number of challenges, and actions to address them, were surfaced through the Bank's own causal analysis undertaken as a result of Promontory's incomplete assessments and other assessments classified as 'near misses'. It is important that these challenges are addressed with timely and decisive action so that they do not impact the ability for Westpac to demonstrate the changes in behaviours and accountability beyond the life of the Program.

The transition to embedment is a critical phase for the Bank. It brings greater devolution as Program Deliverables become increasingly interconnected and interdependent, move deeper into the Divisions, and become part of BAU, shifting away from the structures of the CORE Program. As such, the need to 'stay the course' and ensure consistency of execution and embedment remain key challenges for Westpac. As discussed in our previous reports, these challenges reinforce the need for issues to be escalated early and transparently and for governance forums to be utilised as avenues for robust challenge and to agree appropriate actions. Early escalation of issues presents an opportunity to more effectively learn from experience and draw insights across Workstreams and Divisions. This would also serve to

¹⁰ Workstreams 5 and 14.

demonstrate more broadly that Westpac's organisational culture is shifting and there is a focus on creating sustainable change notwithstanding the desire to maintain timelines.

It is not unexpected that certain challenges such as consistency and change fatigue remain areas of ongoing focus, particularly given the scale of the Program and the broad-based organisational changes occurring across the Group. We have highlighted these areas in our previous reports and expect the Bank to continue to provide robust oversight, monitor sequencing and timeframes and adjust as required in order to mitigate the risks associated with these challenges. The Bank has been progressing through a prolonged period of significant change and development and this requires a continuous need to check and challenge assumptions, communicate across Workstreams, utilise governance forums and provide the earliest opportunities for intervention where needed.

Westpac is approaching an important period to look ahead at what remains to be done and to use all available data points to consider whether its planned timeline for completion of the Program remains appropriate. It is not unusual for a transformation program of this magnitude to require some adjustment to the overall projected timeline, reflecting an organisation's ability to be transparent and its determination to make enduring change. Should this be the case for Westpac, the key will be to identify this as soon as possible and to be clear in its communication of any adjustments.

In this Report, we draw attention to a number of areas of focus which we have raised in previous reports but have continued to observe over this Reporting Period. Westpac has responded to these focus areas but will need to persist and draw on insights and lessons learnt to date, to determine any appropriate actions or adjustments that may be required in the coming period. An additional focus area has also been introduced in this Report, 'Reflection and Continuous Improvement', highlighting the importance of learning from challenges and successes in order to continuously improve and to demonstrate a maturing approach to risk management.

4.1. Quality and Timeliness

The importance of appropriately balancing the tension between quality and timeliness is not a new issue and has been an area of focus since our Fifth Report. However, with the Program's scheduled end date looming closer and critical milestones lining its pathway, the tension between timeliness and quality is becoming more pronounced.

At this point in the Program, it is not unreasonable for those within the organisation to look toward 'the end of the Program' and to work back from its 'end date'. Further, a commitment to meeting timeframes has been an important part of the Program, encouraging momentum to help address the root causes related to Westpac's past shortcomings in execution and 'staying the course'. However, there is a danger that if this focus on timeframes becomes predominant it could lead to compromises in quality and aspects of the Program may not be executed to the standard required to produce sustainable changes. It is therefore important that timing factors are consistently balanced by active consideration of what the Bank will look

like, how it will operate, and how its people will behave once the changes under the Program are embedded.

Promontory observed some instances during this Reporting Period where the balance between quality and timeliness appeared to favour the latter, potentially impacting upon decisions and outcomes. We observed instances where time pressures led to a narrow focus on the precise wording of Closure Criteria as opposed to the Workstream objective or Deliverable target state, insufficient time for quality control and oversight, and a failure to consider interdependencies, overall objectives and/or actions required to ensure sustainable change. These factors were among the contributors to the two incomplete assessments during this Reporting Period and we have previously observed similar issues occurring in different contexts. Westpac has identified similar themes in its causal analysis of 'incomplete Activities and 'near-misses' (referred to above in paragraph 3.6.2).

Consistency of messaging from the top of the organisation, including the Board and through its senior leaders and middle management will be important tools for Westpac to reinforce that quality is essential to addressing the root causes. This messaging should be supported by demonstrable changes of what the Program is designed to deliver. For example, 'story telling' among teams, Lines of Business (**LoBs**), and across Divisions can be an effective tool to demonstrate how uplift measures have led to improved practices and outcomes. This can be supplemented with the sharing of insights regarding shortcomings or sub-optimal outcomes (Including where the focus on timelines was not balanced). Discussing incomplete assessments and near misses, especially beyond the confines of the relevant Workstream, can serve as a powerful mechanism to encourage the desired organisational behaviours and reduce the risk of a 'good news culture'. This will also help promote an environment where employees feel encouraged to raise issues even if they might ultimately impact timelines.

Whilst Westpac has continuously monitored for risks associated with an emphasis on timeliness, these will require additional focus given the current phase of the Program. To mitigate the risks, the Bank should seek to critically reflect upon what is required to successfully deliver the Program outcomes within the remaining timeframe and whether any adjustments are required. This should include a careful assessment of factors such as the sequencing of Activities, any delivery and capacity constraints, and creating allowances for sufficient oversight and refinement as uplift measures are embedded.

In addition to utilising existing governance forums and oversight mechanisms, the Six Monthly Review currently underway is a pivotal opportunity to undertake an appraisal of the Program's status in order to inform this assessment. Should Westpac conclude that any changes are required, early engagement to advise its internal and external stakeholders will be critical. Clear and transparent communications play a key role in reinforcing the criticality of delivering quality outcomes, a focus on sustainable change and encouraging the right behaviours.

4.2. Three Lines of Defence

In our Seventh Report we observed challenges relating to the implementation and embedment of the 3LoD model. In particular, we had observed difficulties in ensuring the model is consistently understood and issues with clarity of accountability between Line 1 and 2 were evident. These difficulties have, in part, been exacerbated by the fact that the 3LoD model applies across risks and hence across multiple Activities and Workstreams within the Program.

As noted in our previous report, whilst conceptually the 3LoD model appears simple, its implementation challenges many organisations due to the nature of the different risk types and the nuances within organisational structures and governance arrangements. Effective implementation requires well-defined roles and responsibilities across the organisation with clear communications and ongoing monitoring to address challenges and so that accountabilities are understood and able to be meaningfully implemented.

During the last reporting period, having recognised the persistent nature of the challenges with implementation of the 3LoD model, Westpac convened an internal working group and a number of actions were agreed. Since that time, we have observed Westpac make significant inroads across key elements resulting in a clearer articulation of a succinct plan with a logical flow of milestones and a target state to be achieved. A roundtable forum has also been initiated for senior leaders across the three lines. This is to promote sharing of information to ensure consistent alignment across Divisions and to facilitate effective embedment of the model.

While Westpac has demonstrated positive steps and an improving approach, there is still a significant pathway ahead to successfully implement and embed an effective 3LoD model over time. Plans and artefacts must translate to behaviours and actions, and responsibilities must be consistently carried out by those accountable for them. A large part of this is not only ensuring clear articulation of roles and responsibilities, but also ensuring that employees within Line 1 and 2 have the appropriate capabilities to carry out their roles. This may require further training and where necessary an uplift in relevant capabilities to embed risk fundamentals. It will be important for the Bank to continue to identify any blurring of accountability between Line 1 and Line 2 due to legacy behaviours and ensure this is remedied swiftly to drive the sustained success of the model.

Over the coming period, Westpac should strive for the ongoing engagement and challenge with the right stakeholders, and the escalation of issues through governance forums. A necessary part of this will be holding the tension between Line 1 and Line 2 and being comfortable with disagreement and robust challenge where it facilitates improved risk management and behaviours. Leaders across the Group will need to continuously reinforce expectations. Over time, Westpac should see the benefits through an improved culture across the organisation and improved customer experiences.

4.3. Cultural Transformation

In our last report, we noted that in the coming phase of the Program, Westpac should expect to see further evidence of shifting behaviours and actions driving improvements in risk culture. These desired behavioural changes will take time and require significant ongoing effort and a clear priority within the Bank. These changes will also involve continuous improvement initiatives which can be monitored and measured to guide the effectiveness of the uplift in risk culture. While we have seen positive developments on this front, there is more that needs to be done to ensure broad uplift in risk culture.

We have observed some examples of positive change during this Reporting Period, including aspects of challenge, escalation of issues, and increased transparency within several governance forums, for example the divisional risk committees and certain Director Touchpoints. The causal analysis conducted in respect of prior incomplete assessments and 'near misses' demonstrates a willingness to learn from mistakes.

We have observed positive risk behaviour being rewarded and incentivised through the 'Great Employee Moments' (**GEM**) platform and positive remuneration adjustments. The CEO awards and the update on priorities for the year ahead included a focus on positive risk behaviours. Through examples such as these we have observed a shift towards encouraging challenge, incentivising good risk behaviour and addressing poor risk behaviour through the consequence management framework. These initiatives are contributing to delivering Westpac's desired risk culture.

While there has been evidence of progress at the senior leadership level, more work is to be done to cascade the initiatives of the culture transformation framework across all levels of the organisation, and to engage more deeply with middle management to ensure their buy in with respect to the desired risk culture uplift. During the Reporting Period, Westpac conducted an internal review of its risk culture and transformation framework and developed a 'Culture Plan on a Page' that contains five behavioural levers that Westpac will focus on to deliver the desired risk behaviours. The Bank needs to undertake further work to articulate the details that sit within this plan. In this context, it is important that Westpac creates a strong sense of priority around the activities required to achieve the intended target state.

Westpac acknowledges that there are challenges with its risk culture framework and has engaged an external third party to conduct a review and provide feedback on various aspects of the delivery of its risk culture initiatives early in 2023. The review is expected to conclude prior to the end of the next reporting period and may result in refinements and enhancements to relevant aspects of the Program.

4.4. Reflection and Continuous Improvement

The Program is arguably entering its most complex phase, with multiple Activities converging, many competing priorities being continuously monitored and balanced, adjustments being made and sustained efforts needed to demonstrate how the uplift measures are evidenced

through the Bank's day to day operations. This large scale transformation is occurring in tandem with other changes and activities across the Group, and in an environment where external economic factors are also demanding the Bank's unwavering focus.

It is a crucial and continuously challenging time for the Bank, however it also presents an opportunity for Westpac to demonstrate how it is improving and its willingness to learn from challenges and mistakes. An openness to learning from issues and the ability to share these insights across teams and Divisions will be a key indicator of the cumulative impact of the Program and will assist in demonstrating that the uplift measures will endure and continue to improve beyond CORE.

During the Reporting Period we observed instances of the Bank's willingness to surface issues, encourage robust challenge, to critically evaluate causes and contributing factors and to develop actions to address findings. Some of these examples include:

- the causal analysis performed to understand the drivers behind previous incomplete assessments and 'near-misses';
- significant stakeholder engagement, analysis and consideration of Promontory's feedback in order to materially improve the Group's 3LoD Assurance model (previously assessed as incomplete and described in our Seventh Report); and
- the acknowledgement of shortcomings with the implementation of the 3LoD Model and the development of a clear strategy and targeted actions to address those issues.


If those within the organisation are increasingly willing to identify and acknowledge mistakes or emerging risks, and the knowledge or actions from analysis of those issues is shared, over time this will assist in shifting people's behaviours and actions. Promontory has observed senior managers leading by example and displaying these behaviours. There is a need now to ensure that middle management is supported to consistently exhibit the behaviours that will improve risk management and address the root causes acknowledged by Westpac. This will facilitate an environment across all levels where employees feel encouraged to 'speak up', transparency is considered in rewarding employees, and proactive risk management is favoured over any perceptions of a 'good news culture'.

This shift will require consistent reinforcement from the top of the organisation and through the executives and team leaders across the Bank. A further indicator of this shift will be more transparent reporting into governance forums in order to facilitate greater challenge and oversight. Whilst Promontory has seen some examples of improved and transparent reporting, we expect to see this more consistently over the coming period.

In time, Westpac should be striving to create an environment where identifying mistakes, issues or risks through ongoing reflection and learning from them is part of its BAU operating rhythm. In working toward this aim, Westpac must ensure that the overall operating environment encourages such behaviours. A focus on quality and sustainability are principal factors to achieving this and we expect that as part of the Sixth Monthly Review underway,

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Westpac will critically assess whether the current timeframes set under the Program will facilitate this or may require adjustment.

5. Workstream Assessment and Progress

5.1. Introduction

During the Reporting Period, Promontory closed 26 Activities (3 Design Activities, 16 Implement Activities and 7 Embed Activities). Promontory also closed eight Deliverables. A further 33 Activities remained under assessment as at the Reporting Date.

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

As noted in section 3.6.1, we assessed two Activities as incomplete during this Reporting Period. Activities 7.3.2 and 7.6.5 which relate to Westpac’s Transformation Policy and Change Execution Frameworks respectively. Further detail about our assessments is set out below.

Table 5.1 provides a list of the Activities and Deliverables that were closed during the Reporting Period, and the balance of Chapter 5 provides summaries of the relevant assessments.¹¹

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

| # ¹² | Theme | Workstream | Activity | Phase | Activity Sign-Off Date |
|-----------------|------------------------|------------|----------|-----------|------------------------|
| 1 | Board Governance | WS1 | 1.2.2 | Implement | 9 December 2022 |
| 2 | Culture and Capability | WS2 | 2.2.3 | Embed | 10 November 2022 |
| 3 | | | 2.3.3 | Embed | 25 November 2022 |
| 4 | | | 2.4.3 | Embed | 5 December 2022 |
| 5 | | | 2.5.2 | Implement | 10 November 2022 |
| 6 | | | WS5 | 5.1.6 | Embed |
| 7 | | 5.2.7 | | Embed | 2 December 2022 |
| 8 | | 5.3.4 | | Embed | 2 December 2022 |

¹¹ This includes both Activities which have been closed as ‘complete and effective’ and ‘incomplete’.

¹² The numbers in this column have been assigned to each Closure Pack by Promontory for tracking purposes.

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| # ¹² | Theme | Workstream | Activity | Phase | Activity Sign-Off Date |
|-----------------|--------------------------------------|------------|----------|-----------|------------------------|
| 9 | | WS6 | 6.1.4 | Implement | 17 November 2022 |
| 10 | | | 6.8.3 | Embed | 25 November 2022 |
| 11 | Transformation Capability & Delivery | WS7 | 7.1.3 | Implement | 1 November 2022 |
| 12 | | | 7.3.2 | Implement | 22 December 2022 |
| 13 | | | 7.6.5 | Implement | 22 December 2022 |
| 14 | | | 7.7.6 | Implement | 22 December 2022 |
| 15 | Risk & Compliance Management | WS8 | 8.4.2 | Implement | 11 November 2022 |
| 16 | | WS9 | 9.4.1 | Design | 29 December 2022 |
| 17 | | WS10 | 10.2.1a | Design | 14 October 2022 |
| 18 | | | 10.4.9 | Implement | 16 December 2022 |
| 19 | | | 10.5.2 | Implement | 16 November 2022 |
| 20 | | | 10.6.5 | Implement | 22 December 2022 |
| 21 | | WS11 | 11.1.1 | Design | 16 December 2022 |
| 22 | | WS12 | 12.3.2 | Implement | 18 November 2022 |
| 23 | Technology and Data Risk | WS15 | 15.1.2 | Implement | 28 November 2022 |
| 24 | | | 15.2.4 | Implement | 28 November 2022 |
| 25 | | | 15.4.2 | Implement | 10 November 2022 |
| 26 | | WS16 | 16.2.2 | Implement | 21 December 2022 |

5.2. Board Governance Theme Progress

During the Reporting Period, Promontory assessed one Board Governance Theme Activity as complete and effective. Taking into account Activities assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of 18 of the 30 Board Governance Theme Activities had been assessed as complete and effective.

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

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

5.2.1. Workstream 1 – Board Risk Governance (WS1)

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

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

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

Figure 5.1: WS1 Activity Status

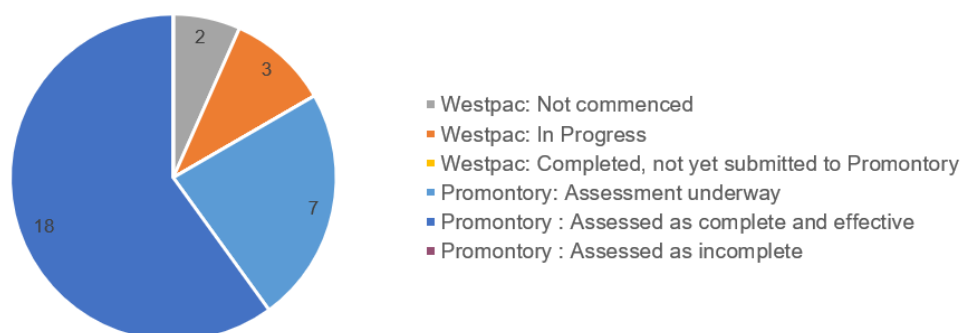


Table 5.2: WS1 Deliverables Progress

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

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| # | Deliverable | Closed Activities | Total Activities |
|--------------|--|-------------------|------------------|
| 1.8 | Review of BRiskC and Board Legal, Regulatory and Compliance Committee (BLRCC) implementation | 2 | 3 |
| 1.9 | Review capacity and capability in the 3LoD | 2 | 3 |
| Total | | 18 | 30 |

Assessment of Deliverable 1.2

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

Activity 1.2.2

Implement Activity 1.2.2 requires the BRiskC and BLRCC to provide oversight of the implementation of further improvements to risk reporting, including templates, guidance and risk report writing, where relevant, to support the effectiveness of the BRiskC and BLRCC.

Oversight by the BRiskC and BLRCC was provided via Workstream deep dives, BRiskC meetings, private discussions, Board Effectiveness Review Reports and Director Touchpoints. Feedback provided by Directors included various suggestions to further improve risk reporting and support the effectiveness of the BRiskC and BLRCC.

After reviewing the Closure Pack for this Activity, Promontory requested further information such as risk reports evidencing changes to address the BRiskC expectations, the CRO report, the Divisional risk update reporting template and the BRiskC meeting pack.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that Westpac had taken appropriate steps to put in place processes to ensure the BRiskC and BLRCC have provided oversight of further improvements to risk reporting including templates, guidance and risk report writing, where relevant, to support the effectiveness of BRiskC and BLRCC.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 1.2, we will continue to monitor closely the progress made in actioning the Board’s suggestions for continuing the improvement in the quality of reporting, including streamlining the content to focus on key insights and on outcomes-based reporting.

5.3. Culture and Capability Theme Progress

During the Reporting Period Promontory assessed nine Culture and Capability Theme Activities as complete and effective. Taking into account Activities assessed as complete and

effective in previous reporting periods, as at the Reporting Date, a total of 87 of the 115 Culture and Capability Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac submitted the Closure Pack for eight Culture and Capability Theme Activities to Promontory and four Deliverables. As at the Reporting Date, Promontory was in the process of assessing eight Activities and eight Deliverables.

As at the Reporting Date, 20 Activities for this Theme remain to be submitted to Promontory for assessment.

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

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

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

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

Figure 5.2: WS2 Activity Status

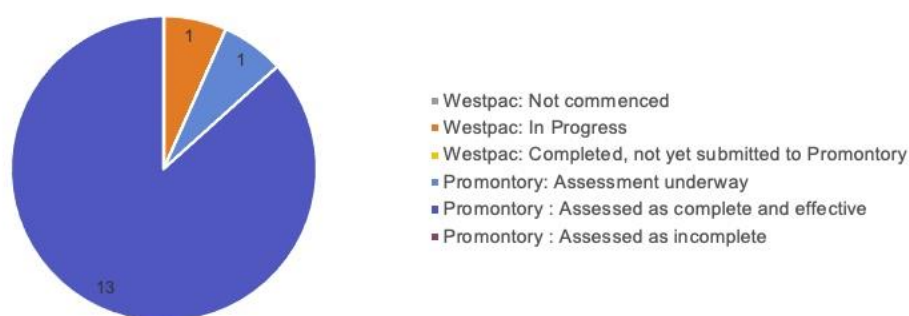


Table 5.3: WS2 Deliverables Progress

| # | Deliverable | Closed Activities | Total Activities |
|-----|--|-------------------|------------------|
| 2.1 | Executive leadership culture and practices | 2 | 3 |
| 2.2 | Performance Management and Recognition Platforms | 3 | 3 |
| 2.3 | Culture measurement | 3 | 3 |
| 2.4 | Executive capabilities | 3 | 3 |

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| # | Deliverable | Closed Activities | Total Activities |
|--------------|--|-------------------|------------------|
| 2.5 | Strengthening application of the Motivate framework to actively manage under performance and developing leadership skills on performance management (GM & GM1 as required) | 2 | 3 |
| Total | | 13 | 15 |

Assessment of Deliverable 2.2

Deliverable 2.2 requires alignment of performance management and recognition platforms (Motivate and GEM) to support new Westpac Purpose, Values, and Behaviours and Risk Culture.

Activity 2.2.3

Embed Activity 2.2.3 requires Westpac to complete a post implementation review (**PIR**) of revised systems (Motivate and GEM) changes supporting desired cultural shifts to identify opportunities to iterate the experience and to continue to support better values-based Motivate conversations with continuously improving collateral.

Westpac conducted a review of the Motivate and GEM frameworks. The reviews demonstrated that while much of the Frameworks are working as expected there were areas for improvement. Recommendations to strengthen the application of the Frameworks were identified and Action plans were developed.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the links between goals and Westpac’s Purpose Values and Behaviours, actions taken to improve the quality of goals in response to the review conducted on the Motivate Framework and plans to strengthen the reporting capability in relation to GEM usage.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interviews we conducted, we concluded Westpac had taken appropriate steps to support values-based performance conversations and align both Motivate and GEM to support Westpac’s Purpose Values and Behaviours.

Promontory noted that as part of our assessment of Deliverable 2.2, we will consider mechanisms in place to assess the ongoing effectiveness and staff perceptions of the value of GEM recognition, and how Divisions will be supported to analyse data from Motivate Reporting from HR during each Motivate Quarterly conversation cycle, including any common issues which have been identified.

Assessment of Deliverable 2.3

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

Activity 2.3.3

Embed Activity 2.3.3 requires, that there is a culture measurement approach in place that monitors and provides input into the Culture Transformation Program and enables measurement of risk culture with the measurement being applied across the Group. The primary mechanism for this is through the Voice+ Survey process and PIR, and executive action planning.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding details of the September 2022 Voice+ Survey, how the April 2022 APRA Risk Culture Survey has impacted Westpac, the resulting actions that have taken place, the Voice+ operating rhythm, the PIR process and executive action planning.

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 ensure that there is an effective culture measurement approach in place. Promontory noted that, as part of our assessment of Deliverable 2.3, we will consider and/or assess how the Conduct Risk, Organisational Culture, and Risk Culture Forum is ensuring an alignment between different aspects of culture within Westpac.

Assessment of Deliverable 2.4

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

Activity 2.4.3

Embed Activity 2.4.3 requires the embedment of the refreshed Executive Leadership Capability Framework (GE, GM and GM1) that supports an uplift in Executive Leader capabilities required for specialist and generalist accountabilities. The primary mechanism for this is through the Executive Leadership Capability Framework.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding details of risk culture, leadership development, the annual review of the Leadership Capability Framework and the Leadership Capability surveys.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that there is an effective Executive Leader Capability Framework that supports an uplift in Executive Leader capabilities in place.

Promontory noted that as part of our assessment of Deliverable 2.4 we will consider how the GCF Engagement Forum engages with Leadership Capabilities.

Assessment of Deliverable 2.5

Deliverable 2.5 requires strengthening the application of the Motivate framework to actively manage underperformance and support the development of leadership skills on performance management.

Activity 2.5.2

Activity 2.5.2 requires a targeted increase in the visibility of development offerings to strengthen capability in managing uplift in performance and taking action.

As part of this Activity, Westpac introduced new reporting filters to identify relevant leaders who assess a team member as underperforming and developed an approach to ensure communications and support was provided to relevant leaders to address underperformance.

After reviewing the Closure Pack for this Activity, Promontory requested further information and an interview regarding how Westpac is assessing the impact of these initiatives in terms of addressing underperformance, the root causes behind performance issues, and how leaders were engaged in the development of the communication approach and learning opportunities.

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 promote learning opportunities around managing underperformance and engaged with relevant leaders to ensure the approach was appropriately tailored.

Promontory noted that as part of our assessment of subsequent Activities within Deliverable 2.5 we will consider how mechanisms in place to assess the root cause of underperformance inform the continuous improvement of tools and support available to leaders and underperforming employees, as well as how the insights of information about underperforming staff are informing Westpac's approach to managing underperformance.

5.3.2. Workstream 3 – Risk Culture (WS3)

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

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

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

Figure 5.3: WS3 Activity Status

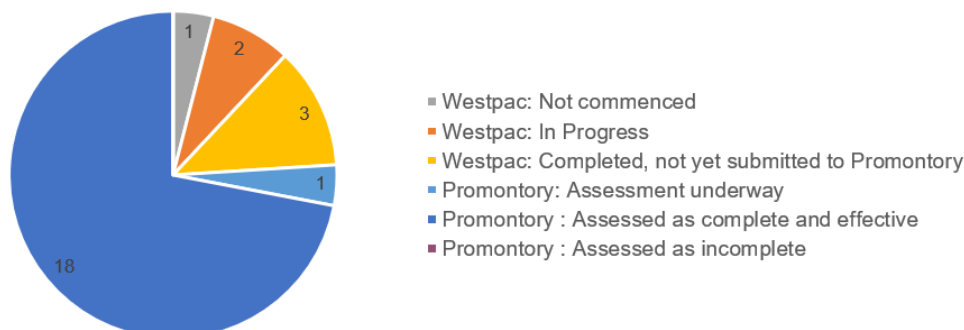


Table 5.4: WS3 Deliverables Progress

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

As noted in Chapter 2, Westpac’s submission to Promontory of three Activities remains on hold pending the conclusion of the independent third party review into the Bank’s risk culture initiatives. Similarly, Promontory’s assessment of one Activity (for which the Closure Pack has already been submitted by Westpac), remains on hold on the same basis.

5.3.3. Workstream 4 – Organisational Design (WS4)

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

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

Westpac senior leaders have clear accountability statements as an enabler for good decision-making that facilitate effective engagement within roles and across businesses including corporate functions. This is supported by an effective First Line organisational structure and effective engagement across all three lines of defence. Effective and speed of decision-making is enabled by Westpac's roles and responsibilities and understanding of

accountability, through clear principles and guidance. Where committees are necessary, they operate without dilution of individual accountabilities.

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

Figure 5.4: WS4 Activity Status

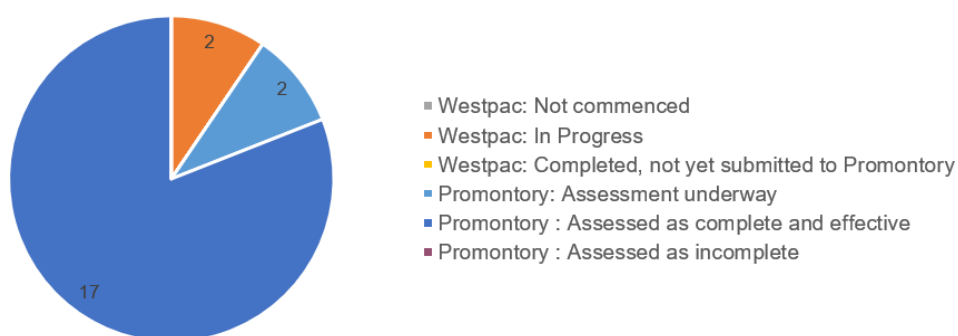


Table 5.5: WS4 Deliverables Progress

| # | Deliverable | Closed Activities | Total Activities |
|--------------|--|-------------------|------------------|
| 4.1 | Organisation Design Principles | 4 | 5 |
| 4.2 | 3LoD model in the First Line | 6 | 7 |
| 4.3 | Roles, responsibilities, and delegations | 5 | 6 |
| 4.4 | Making decisions and engaging across roles | 2 | 3 |
| Total | | 17 | 21 |

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

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

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

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

Figure 5.5: WS5 Activity Status

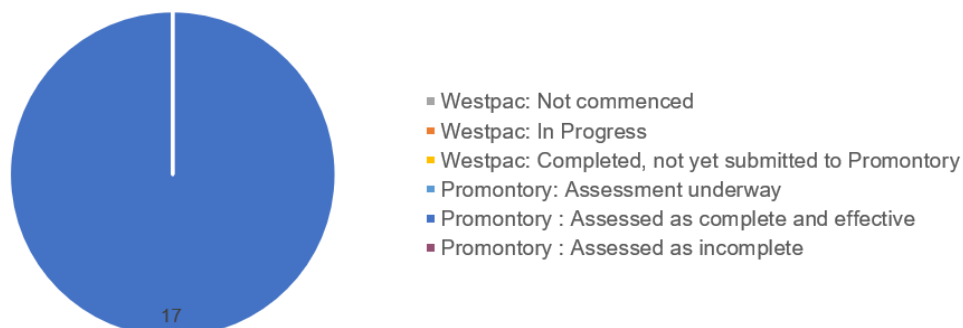


Table 5.6: WS5 Deliverables Progress

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

Assessment of Deliverable 5.1

Deliverable 5.1 requires the integration of the remuneration adjustment process for employees on discretionary short term variable remuneration (**STVR**) in the regular remuneration cycle.

As part of this Deliverable, Westpac enhanced its framework and processes applying to the remuneration review process and Discretionary STVR, as well as conducting an annual PIR to support ongoing improvement and effectiveness of the risk adjustment processes. Clear accountabilities are established, as well as a comprehensive governance structure including the Divisional Remuneration Oversight Committee (**DROC**), Remuneration Oversight Committee (**ROC**), and BRemC to oversee the remuneration adjustment process with specific responsibilities outlined in the most recent terms of reference (**ToR**) and charters and are regularly reviewed.

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

Activity 5.1.6

Embed Activity 5.1.6 requires that Westpac have a remuneration adjustment process for employees on discretionary STVR integrated with the regular remuneration cycle, which helps reinforce good risk management practices and behaviours. The primary mechanism for this is through various committees, including the DROC, ROC and BRemCO as well as PIR of the remuneration adjustment process.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding details of the remuneration adjustment process to better understand how risk is rewarded within remuneration processes and in driving desired risk behaviours. We requested multiple walkthroughs with the remuneration and HR teams.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that there was an effective process in place to apply and continuously assess the impact of the remuneration adjustment process in the regular remuneration cycle, including at the Executive level.

Assessment of Deliverable 5.2

Deliverable 5.2 requires the integration of risk gates and remuneration adjustment criteria in the regular remuneration cycle (including issue resolution and closure embedded).

As part of this Deliverable, Westpac has clearly documented frameworks, guidelines, and processes applying to risk gates and the remuneration adjustment criteria. These are in place and have been operating for two full remuneration cycles. The annual PIR supports ongoing improvement and effectiveness of risk gates and remuneration adjustment criteria. Clear accountabilities and governance processes are in place. The DROC, ROC, and BRemC play a key role in governance and oversight for the remuneration adjustment processes and associated policies and frameworks. Specific responsibilities are outlined in the most recent ToR and are regularly reviewed.

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

Activity 5.2.7

Embed Activity 5.2.7 required embedment of the usage of risk gates and remuneration adjustment criteria in the regular remuneration cycle, including a regular process for applying and improving risk gates and remuneration adjustment criteria.

As part of this Activity, Westpac completed the annual remuneration review cycle applying revisions to risk gates, remuneration criteria, and guidelines as part of the regular BAU rhythm and approach. Risk gates and remuneration adjustment criteria were also applied as part of the remuneration adjustment process. A process is in place for the development, review, and

approval of executive scorecards and an annual review is conducted through the BRemC and is listed on the forward agenda for future years. A detailed communication plan and training is in place to support the remuneration review and several engagement sessions were held with key stakeholders on the relevant matters identification and assessment process.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the consistent application of risk gates within the Divisions and the impact of removing select Divisional gates, as well as the relationship between the remuneration framework and Risk Goals. We also queried Westpac as to how it is driving and incentivising good risk behaviour. Promontory received a walkthrough to understand these considerations as part of the Consequence Management Framework and remuneration outcomes.

Based on our assessment of the Activity Closure Pack, the additional documentation we received, and interviews conducted, we concluded that there were adequate processes in place to support consistency in the use of risk gates across the Group where it is appropriate to do so, and that mechanisms such as GEM and positive adjustments were in place to incentivise and reward good risk behaviour. On this basis, Promontory assessed that there was an effective process in place to apply and continuously improve risk gates and remuneration adjustment criteria in the regular remuneration cycle.

Assessment of Deliverable 5.3

Deliverable 5.3 requires strengthened alignment, consistency, and rationalisation of the remuneration framework and policies.

As part of this Deliverable, Westpac has an annual remuneration PIR which includes a review of remuneration adjustment guidelines and related frameworks, and considers rationalisation, consistency, and adequacy. This aims to ensure that guidelines and processes continue to support an effective and efficient remuneration framework. Clear accountabilities and a robust governance structure are in place with the BRemC and ROC having key responsibilities in the approval for remuneration adjustment guidelines. Specific responsibilities are outlined in the most recent ToR and are regularly reviewed.

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. While this Deliverable has been closed, Promontory noted that it would like to review the FY23 annual remuneration cycle, including the application of the CMF, as a follow-up item.

Activity 5.3.4

Embed Activity 5.3.4 requires embedment of a review and rationalisation of remuneration adjustment and consequence management frameworks and policies into the regular remuneration cycle, and demonstrate effectiveness.

As part of this Activity, Westpac noted the following processes were in place:

- Remuneration adjustment guidelines for Relevant Matters – approved by the BRemC;
- Remuneration adjustment guidelines for Other Matters – approved by the ROC; and
- The CMF – approved by the Employee Relations Steering Committee.

Westpac noted that two JUNO controls were in place to ensure that the review occurred on an ongoing basis and reporting to relevant governance committees occurred.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the rationalisation of the remuneration framework, adjustments made outside of guidelines and how Westpac was driving and incentivising good risk behaviour. Promontory also received a walkthrough of to understand how these considerations form part of the Consequence Management Framework and remuneration outcomes.

Based on our assessment of the Activity Closure Pack, the additional documentation we received, and interviews conducted, we concluded that there were appropriate processes in place to support the ongoing consideration and rationalisation of the remuneration framework, as well as adjustments made outside of remuneration adjustment guidelines. Promontory also noted that mechanisms such as GEM and positive adjustments were in place to incentivise and reward good risk behaviour.

On this basis, Promontory assessed that remuneration frameworks and policies are aligned, consistent, and regularly reviewed for adequacy and rationalisation and that there is an effective process in place to review and rationalise the frameworks.

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

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

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

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

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

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

Figure 5.6: WS6 Activity Status

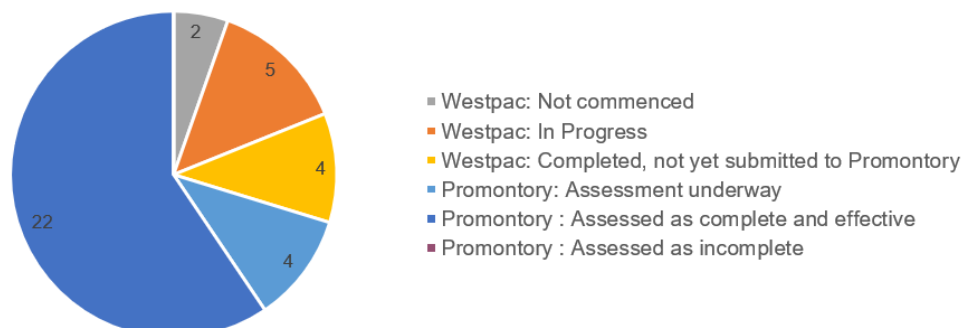


Table 5.7: WS6 Deliverables Progress

| # | Deliverable | Closed Activities | Total Activities |
|--------------|---|-------------------|------------------|
| 6.1 | Organisational structure in the Second Line | 3 | 7 |
| 6.2 | Risk capacity across the 3LoD | 3 | 5 |
| 6.3 | Risk capability in the Second Line | 2 | 4 |
| 6.4 | Risk capability in the First Line | 4 | 6 |
| 6.5 | Risk capability assessment | 1 | 3 |
| 6.6 | Risk Fundamentals | 3 | 4 |
| 6.7 | Risk Knowledge Management Chatbot ('Risk Assist') | 3 | 5 |
| 6.8 | Risk reporting tools and capabilities | 3 | 3 |
| Total | | 22 | 37 |

Assessment of Deliverable 6.1

Deliverable 6.1 requires Westpac to establish a 3LOD Second Line operating model and that this operating model be fully adapted to the Group's LoB operating model.

Activity 6.1.4

Implement Activity 6.1.4 requires, in accordance with Westpac's 3LOD operating model, that any additional 3LOD activity transfers that are identified through the design of the Second Line operating model be transferred to the relevant Line of Defence. The primary mechanism for this is through Activity Transfers and a relevant PIR for each Activity Transfer.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding details of the Activity Transfer and PIR templates and process. We were particularly interested in understanding how the process worked and understood this through a walkthrough with the respective teams of an Activity Transfer and PIR.

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 ensure Activity Transfers and their PIRs were effective. Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 6.1, we will consider how any residual activities, namely the Conflicts Register and Annual Review Process Activity Transfer and PIR have been conducted.

Assessment of Deliverable 6.8

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

Activity 6.8.3

Embed Activity 6.8.3 requires the embedment of the BAU processes and tools supporting improvement of risk report writing to drive effective RISKCO and BRiskC/BLRCC management and oversight of the Group's management of risk. It also requires regular review of the quality of risk reporting.

The risk reporting initiatives embedded include facilitating board training sessions, monitoring paper quality using the Risk Paper Success Measures and providing assessments of RISKCO to authors. This feedback is supplemented by conversations with authors about their assessments, as required. Kick-off and debrief sessions before RISKCO and BRiskC were also conducted to facilitate communication on paper quality. Additionally, there was continuous feedback from the Directors through an item of risk reporting scheduled at each May BRiskC and in a private discussion on each BRiskC agenda. The Chair of BRiskC also provides feedback in his review of some papers before distribution and GEs and Directors provide feedback on papers during the course of meetings.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding risk reports demonstrating improvement and samples of Second Line Risk Reporting.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to put in place processes to continuously improve risk reporting and to regularly review the quality of risk reporting including activities resulting from Board oversight undertaken in Workstream 1.

Promontory noted that, as part of our assessment of Deliverable 6.8, we will consider how this Deliverable leads to better customer outcomes over time.

5.4. Transformation Capability and Delivery Theme Progress

During the Reporting Period, Promontory assessed two Transformation Capability and Delivery Theme Activities as completed and effective. Taking into account Activities assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of 20 of the 33 Transformation Capability and Delivery Theme Activities had been assessed as complete and effective and three Activities had been assessed as incomplete

During the Reporting Period, Westpac submitted the Closure Pack for three Transformation Capability & Delivery Theme Activity to Promontory. As at the Reporting Date, Promontory was in the process of assessing two Activities for this Theme.

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

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

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

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

This Workstream has seven Deliverables consisting of 33 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Red. Among the drivers of the Red Status are the material issues identified in Activities 7.3.2 and 7.6.5 which were assessed as incomplete during the Reporting Period.

Figure 5.7: WS7 Activity Status



Table 5.8: WS7 Deliverables Progress

| # | Deliverable | Closed Activities | Total Activities |
|--------------|--|-------------------|------------------|
| 7.1 | Enterprise investment prioritisation reporting and submissions | 3 | 4 |
| 7.2 | Enterprise change oversight (incl. committees and Line 2 role) | 2 | 4 |
| 7.3 | Transformation governance and delivery standards | 2 | 4 |
| 7.4 | Transformation capability | 1 | 3 |
| 7.5 | Risk in Change accountabilities and training | 4 | 5 |
| 7.6 | Risk in Change practices | 5 | 6 |
| 7.7 | Risk in Change reporting | 6 | 7 |
| Total | | 23 | 33 |

Assessment of Deliverable 7.1

Deliverable 7.1 requires the enhancement of the information provided to the Board, Board Committees and Group Executive with respect to strategic and enterprise investment decisions, including the articulation of the Group and Divisional strategic agenda/priorities and enterprise change and transformation agendas/portfolio. Additionally, it requires that the investment prioritisation framework is adopted, including key investment and risk prioritisation decisions made together with declined investment requests and its implications. These implications include the associated risk and compliance consideration/implications from not proceeding with declined investment requests and the mitigating actions implemented by management necessary to address residual risk.

Activity 7.1.3

Implement Activity 7.1.3 requires implementing the revised enterprise investment prioritisation process which ensures that the Group's Transformation Program aligns with the Group's strategic priorities, the enterprise investment prioritisation framework is adopted by management and the Board and Board Committees receive relevant reporting, which articulates necessary risk information, outcome and rationale for decisions.

The Group Transformation Program was aligned to the strategic priorities of the Group through enhanced transparency of decisions in divisional forums and the creation of a clear path for contentions to be raised at the appropriate forum for discussion and resolution. Additionally, the enterprise investment prioritisation criteria and submission process were implemented through the introduction of the updated prioritisation matrix and the associated guidelines. The changes implemented were supported by a change and communication plan to ensure consistent messaging and effective implementation support and sustainable outcomes.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding any findings from the PIR of the Quarterly Business Review (**QBR**) conducted and to observe a Division/Function Marketplace. We wanted to observe the revised enterprise investment prioritisation process in practice and whether there was any feedback to be incorporated.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to implement the revised enterprise investment prioritisation process.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 7.1, we will continue to monitor closely the alignment between Risk and Technology teams due to the link between investment decisions and technology-based decisions. We will also follow-up on the approach for resolving contentions and resourcing of Group-wide programs through the QBR process as it is refined and embedded as part of subsequent Activities.

Assessment of Deliverable 7.3

Deliverable 7.3 requires the establishment and embedment of the target state framework, policies, standards, tools, and procedures for transformation governance and delivery management to enable the achievement of enterprise and divisional objectives, in line with strategic priorities.

Activity 7.3.2

Implement Activity 7.3.2 required the implementation of enhancements to standards and tools for portfolio shaping and delivery optimisation (including governance and interdependency management); and to standards and tools for change delivery governance, management, and assurance.

As part of this Activity, Westpac developed a single Transformation Policy and two supporting standards (Transformation Portfolio Standard and Transformation Delivery Standard). The initial draft of the Transformation Policy was developed based on learnings from a Change Execution Lifecycle (**CEL**) pilot conducted within CBB. Co-design sessions were held with the Divisional Project Management Team to enable continued iterations of the Policy.

This led to extensive feedback being received, some of which were incorporated and others placed on the 'backlog' for the next iteration of the Transformation Policy and Standards. This included the risk assessment of business initiatives under \$1m, a review of the definition of 'transformation', and clearer delineation of the roles and responsibilities between Divisional CTO and Group CTO.

Westpac held a session with Promontory following the submission of this Closure Pack to provide an update on the proposed revisions to the Transformation Policy and Standards. This indicated that material changes would be made to the Transformation Policy as part of the next iteration, including a 'risk-based' approach to transformation and revisions to address other items on the backlog.

After reviewing the Closure Pack and considering the information provided by Westpac during the update session, Promontory outlined concerns to Westpac relating to the completion of this Activity and requested additional information and interviews. The key concerns related to the material items remaining on the backlog at the time of the Activity Due Date, and given their materiality, their potential to alter the scope and application of the Policy. We also sought to better understand the changes made to the revised iteration of the Policy and how this would impact projects in-flight, and the supporting Standards.

Based on our assessment of the Activity Closure Pack, the additional documentation we received, and the interviews we conducted, we concluded that given the materiality of matters to be addressed, the implementation of enhancements was not complete at the time of the Activity Due Date. Promontory therefore assessed this Activity as incomplete.

Assessment of Deliverable 7.6

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

Activity 7.6.5

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

A number of enhancements identified in Activity 7.6.4 were prioritised for implementation in Activity 7.6.5. In implementing the enhancements, the following steps were taken:

1. Solution build and socialisation with appropriate stakeholders, including the CORE Detailed Design Forum for input, review, and challenge;
2. Performing pain point traceability analysis to confirm completeness of solution implementation;
3. Obtaining approval from the accountable person for implementation of enhancements to the change execution frameworks;
4. Implementing change interventions to support an uplift in understanding and capability;
5. Monitoring compliance to ensure adoption; and
6. Developing sustainability principles which support the implemented enhancements to remain effective.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews to evidence the enhancements implemented and action plans for identified improvements. Further information was provided, indicating that some enhancements were placed on the 'GTO backlog' for managing and progressing as part of BAU.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that the implementation of enhancements, identification of improvement areas and development of action plans to

address improvement areas was not complete at the time of the Activity Due Date. Promontory therefore assessed this Activity as incomplete.

Assessment of Deliverable 7.7

Deliverable 7.7 requires establishing 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 7.7.6

Implement Activity 7.7.6 requires the implementation of enhancements for portfolio and program governance reporting to address risk management pain points.

There were a number of enhancements designed and identified in Activity 7.7.3 to be implemented in Activity 7.7.6. As part of implementing each enhancement, the following steps were followed:

1. Solution development where details of each enhancement was determined;
2. Obtaining approvals from relevant accountable executives;
3. Conducting a pilot and user acceptance testing;
4. Implementation of the enhancement and managing the change through communications; and
5. Monitoring effectiveness of the implementation.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding dependencies to other deliverables in WS7, including requirements from Design Activity 7.7.3, how monitoring the effectiveness of implemented enhancements is conducted, the change and communications which supported the divisional roll out, the detailed enhancement which was placed on the 'GTO backlog' and details relating to the RAS data sources and risk metrics.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to implement enhancements for portfolio and program governance reporting.

5.5. Risk and Compliance Management Theme Progress

During the Reporting Period, Promontory assessed eight Risk and Compliance management Theme Activities as complete and effective. Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 64 of the 103 Risk and Compliance Management Theme Activities had been assessed as complete and effective.

During the Reporting Period, Westpac submitted the Closure Packs for 10 Risk and Compliance Management Theme Activities to Promontory and two Deliverables. As at the Reporting Date, Promontory was in the process of assessing nine Activities and three Deliverables for this Theme.

At the Reporting Date, 30 Activities for this Theme had not yet been submitted to Promontory for assessment.

5.5.1. Workstream 8 – Risk Management Framework (WS8)

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

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

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

Figure 5.8: WS8 Activity Status

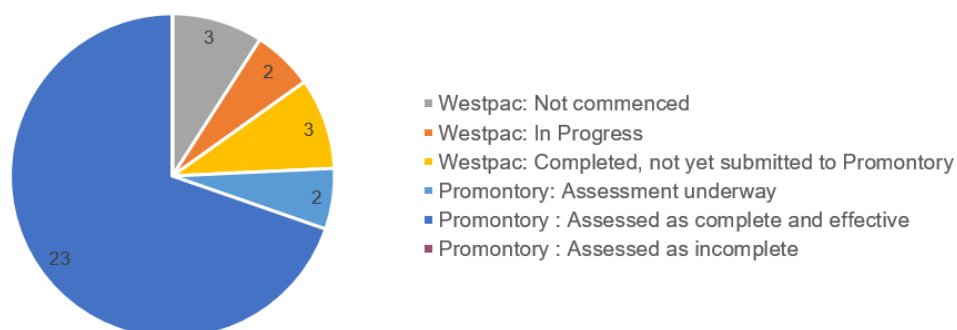


Table 5.9: WS8 Deliverables Progress

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

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| # | Deliverable | Closed Activities | Total Activities |
|--------------|---------------------------------|-------------------|------------------|
| 8.8 | Prudential Governance Framework | 1 | 3 |
| Total | | 23 | 33 |

Assessment of Deliverable 8.4

Deliverable 8.4 requires the enhancement of reputation risk and sustainability risk management through uplifted capabilities, appropriate reporting and governance, and updated frameworks, policies, and processes.

Activity 8.4.2

Implement Activity 8.4.2 requires the implementation of key activities and operational processes to integrate reputation and sustainability risk considerations in Westpac’s material operations and processes and improve current management.

In terms of implementation, uplifts were made to frameworks and policies, risk appetite documents, governance forums, and process documents to include reputation and sustainability risk considerations. In addition, two Environmental, Social, and Corporate Governance (ESG) tools were separately developed to operationalise the reputation and sustainability risk considerations for Westpac’s two main Divisions. Training roadmaps were developed to address capability gaps and a portion of the training was delivered during this activity timeline.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the design and scope of the ESG tools, enhancement made to reporting, and the interaction of the different governance and risk committees in relation to reputation and sustainability risks. Promontory also requested further evidence of the uplifts made to the frameworks, policies and process documents.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to develop the two tools, evidence was provided to substantiate the uplifts made to Westpac’s documents and there is a set structure on how the different risk committees interact with each other.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 8.4, we will consider further updates made to the policies, process documents, frameworks and tools, progress made to address the issues raised and assurance reviews findings and enhancement made in Divisional reporting and governance practices.

Assessment of Deliverable 8.7

Deliverable 8.7 requires implementation of the RMF Maturity Assessment (RMFMA) for completion by each Division, the results of which will inform the Divisional RMF Dashboards and, in aggregate, the Group Enterprise Risk Management (ERM) Dashboard.

As part of this Deliverable, Westpac has clearly documented frameworks, guidelines, and processes in place to support the RMFMA and supply to the ERM dashboards. These are in place and have been operating for two full cycles which are on a biannual basis. Clear accountabilities and governance processes are in place with the Chief Risk Officer (CRO) as the BEAR accountable owner. The Divisional and LoBs Risk Committees, Group Risk Committee (GRISKCO) and BRiskCo play a key role in the governance and oversight of the RMFMA process.

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.

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

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

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

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

Figure 5.9: WS9 Activity Status

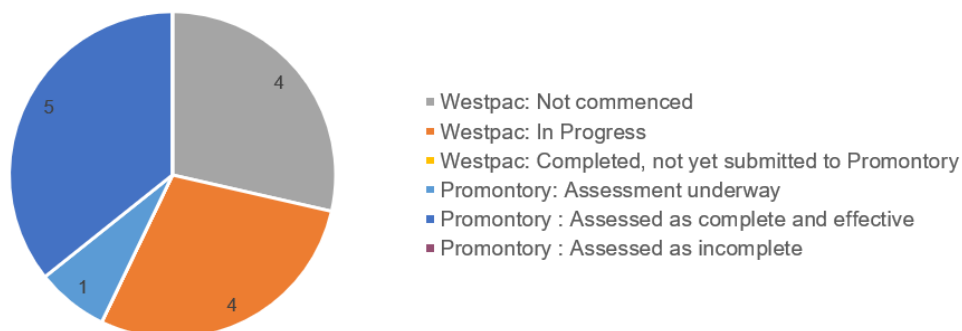


Table 5.10: WS9 Deliverables Progress

| # | Deliverable | Closed Activities | Total Activities |
|--------------|--|-------------------|------------------|
| 9.1 | NFR infrastructure, analytics, and reports | 1 | 3 |
| 9.2 | JUNO functionality upgrade | 2 | 4 |
| 9.3 | JUNO data quality and support model | 1 | 4 |
| 9.4 | Risk and Control Assessment Automation | 1 | 3 |
| Total | | 5 | 14 |

Assessment of Deliverable 9.4

Deliverable 9.4 requires that Westpac utilise an automated solution to facilitate key elements of the risk and control assessment process and the recording of outcomes. This is intended to improve efficiency and consistency of Risk & Controls Assessment (RCA) policy application and reporting.

Activity 9.4.1

Activity 9.4.1 requires Westpac to design a technology solution to automate the key elements of the risk and controls assessment process in line with the RCA policy and to design a change management approach to support consistent adoption of the technology solution.

As part of this Activity, Westpac defined the scope, consulted with key stakeholders to identify current state pain points within that defined scope, designed a solution and developed a change management approach to support delivery.

The solution will minimise the use of applications outside JUNO such as Excel (except in limited circumstances), and facilitate the capture of information in JUNO, the system of record. It is intended that changes to risk data contained in JUNO and Holocentric (i.e. processes, risks, obligations, controls, issues or incident data) will be identified and trigger the

requirement for an assessment and update as needed. The quarterly risk profile refresh process will also be enhanced under the solution. Automation will ensure greater consistency of data capture, enhance visibility for Line 1 BCM teams and provide a documented audit trail of feedback and endorsement for risk profile changes.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the types of data that will be captured and how the solution will enhance the RCA process and ensure the transition away from bespoke spreadsheets under the RCA process and risk profile maintenance.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to design a technology solution to automate key elements of the risk and controls assessment process. A change management approach in support of the solution has also been defined and endorsed.

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

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

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

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

Figure 5.10: WS10 Activity Status

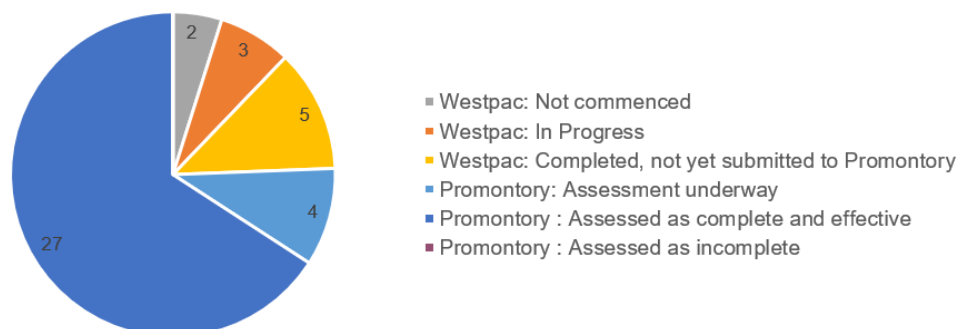


Table 5.11: WS10 Deliverables Progress

| # | Deliverable | Closed Activities | Total Activities |
|--------------|----------------------------------|-------------------|------------------|
| 10.1 | Risk assessment and Value Chains | 4 | 7 |
| 10.2 | Group Controls Library | 4 | 8 |
| 10.3 | Controls self-assessment | 2 | 4 |
| 10.4 | Issues management | 9 | 10 |
| 10.5 | Incident management | 2 | 3 |
| 10.6 | Root cause analysis | 5 | 6 |
| 10.7 | Value Chain Maintenance solution | 1 | 3 |
| Total | | 27 | 41 |

Assessment of Deliverable 10.2

Deliverable 10.2 requires the design and implementation of the Group Controls Library in JUNO to promote controls standardisation. This includes creating new controls using the Controls Library and progressively delivering common and centralised controls on a risk-prioritised basis. The activity also requires the development of a framework to introduce governance across the Controls Library and formalisation of clear roles and responsibilities relating to control management.

Activity 10.2.1a

Design Activity 10.2.1a requires the design of the Controls Optimisation Operating Model and defining the associated roles and responsibilities.

Workshops were conducted to determine and agree on the scope and purpose of the Model, roles and responsibilities and approval of the final design. Participants in the workshops included representatives from the Divisions and Workstream 10. The Model will be operationalised through a Working Group whose roles and responsibilities have been outlined in the Model Charter.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the purpose of the Model, the responsibilities and deliverables of the Working Group and further details on the output of the model.

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 clearly define the purpose of the Model, the roles and responsibilities of the Working Group and the governance around the Model and its control optimisation initiatives.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 10.2, we will consider the execution of the roles and responsibilities of the Working Group, the

inputs and decisions making process of the Working Group, and the progress and output of control initiatives rolled out.

Assessment of Deliverable 10.4

Deliverable 10.4 requires improvement of issues management practices and outcomes by having a clear understanding of the issues management lifecycle to achieve greater quality, consistency and timeliness in the recording, management, monitoring and resolution of issues.

Activity 10.4.9

Implement Activity 10.4.9 requires the Divisions/LoBs to implement the revised Issues Management Policy and related procedures/guidance and manage issues in accordance with the Policy. The activity also requires the enhancement of end-to-end reporting of issues, including the development and monitoring of metrics for each stage of the issues management lifecycle.

In terms of implementation, updates were provided to the JUNO system to support the updated policy whilst standardised reports were developed and rolled out to the Divisions and LoBs to monitor issues and presented to the risk committees. Details of the Division's issues management practices, along with support of the second line of defence, were provided in the closure memo. A sample of issues was also provided to evidence that issues have been managed in accordance with the Policy.

After reviewing the Closure Pack for this Activity, Promontory requested further information on policy exceptions, how different issue management reports are used for decision-making and data quality management practices.

Based on our assessment of the Activity Closure Pack and the additional documentation, we concluded that Westpac had taken appropriate steps to manage policy exceptions in accordance with the Group's procedure, monitoring of issue management is being carried out by the three lines of defence as per the requirements of the Policy, and there are processes being undertaken to improve data quality for issue management.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 10.4, we will consider further updates made to JUNO and the Issues and Action Management Policy and other related documents, management actions to address findings from the first line, second line and third line of defence and the outcomes of data quality reviews. Promontory will also be conducting further sample testing on the management of issues in accordance with Policy.

Assessment of Deliverable 10.5

Deliverable 10.5 requires the strengthening of the incident management process to better support the prompt resolution and escalation of incidents and their reporting both internally and externally.

Activity 10.5.2

Implement Activity 10.5.2 requires Divisions and LoBs to implement the revised Incident Management Policy and related guidance, and to manage incidents in accordance with the revised Policy. It also requires the enhancement of end-to-end incident reporting, including the development and monitoring of metrics for each stage of the incident management lifecycle.

The Incident Management Policy, and associated guidance, continued to be revised in accordance with continuous improvement. Standardised reporting functionality was rolled out to Divisions and LoBs to support the monitoring of incident management. Divisions and LoBs continued to manage incidents in accordance with the Incident Management Policy, with Promontory reviewing a sample of incidents across the Bank to confirm compliance to key requirements. Additional monitoring of the effectiveness of incident management by Divisions and LoBs was conducted by Line 2 and the Incident Management Policy Owner.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the various 'hygiene' metrics monitored by Divisions to ensure the continuing effectiveness of incident management, how Divisional roles, responsibilities and accountabilities for incident management are carried out in practice, and the additional monitoring requirements introduced in further iterations of the Incident Management Policy.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to manage incidents in line with the Incident Management Policy.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 10.5, we will consider the effectiveness of processes to manage incidents over their lifecycle through additional sample testing, the consistent utilisation of available reporting, and Divisional processes to monitor the effectiveness incident management practices.

Assessment of Deliverable 10.6

Deliverable 10.6 requires the Group's capability for root cause analysis (RCA) to be strengthened as well as its capability to learn lessons to support the management of issues and incidents. As part of the Deliverable, Westpac is required to establish a group of RCA practice leaders to investigate major incidents and systemic/thematic issues and to support effective application of RCA in the Divisions.

Activity 10.6.5

Implement Activity 10.6.5 requires that a refreshed RCA training program is rolled out, as well as the implementation of the process to perform RCAs across systemic and thematic issues and incidents, and to share lessons learned.

As part of this Activity, Westpac made changes to the RCA Guidance and processes to incorporate further refinements that had been learned through the design phase. Updated

guidance was approved in June 2022, including refinements to the roles and responsibilities of practice leaders and analysts. Extensive training on RCA was delivered to over 200 personnel including Practice Leaders, Analysts and Line 2 team members. In addition, the RCA Forum was held quarterly during the implementation phase. This forum is the mechanism through which Practice Leaders and other members collaborate to discuss RCAs that have been conducted and to share insights and lessons learned. This forum will also facilitate feedback and continuous improvement of the RCA process going forward.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the role of Line 2 Risk in the RCA process. We also sought further clarity as to how matters are determined to be a candidate for RCA; the approach toward sharing communication of lessons learned; and clarity regarding the RCA Forum and its composition.

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 refine and refresh the RCA training program and roll out comprehensive training to relevant Westpac staff. In addition, Westpac has implemented the process to perform RCAs across systemic and thematic issues and incidents, and to share lessons learned.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 10.6, we will consider how lessons learned during the next phase are incorporated, including any updates to the RCA guidance documentation. Promontory will also consider the effectiveness of reporting so that risk management decisions are informed and adjusted based on lessons learned and insights gained. We will also consider how lessons learned are communicated more broadly across the Group.

5.5.4. Workstream 11 – Assurance (WS11)

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

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

This Workstream has one Deliverable consisting of three Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Red. The status reflects the material issues identified in the prior incomplete assessment of design Activity 11.1.1 which have since been addressed during this Reporting Period.

Figure 5.11: WS11 Activity Status

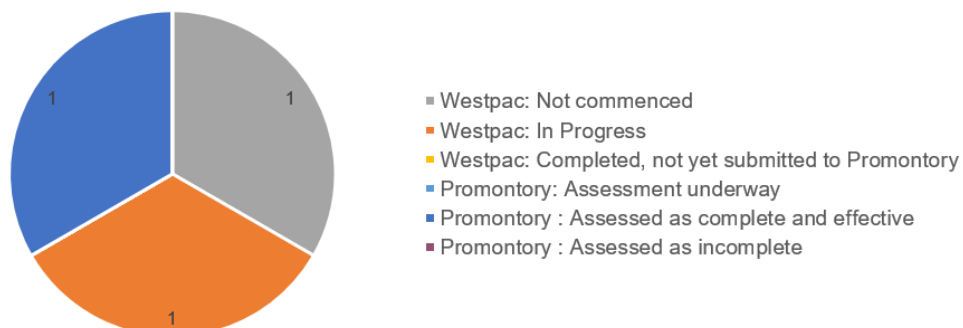


Table 5.12: WS11 Deliverable Progress

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

Assessment of Deliverable 11.1

Deliverable 11.1 requires the Bank to strengthen the effectiveness, efficiency and coverage of assurance practices and to establish an operating model that aligns coverage, approach and planning across the 3LoD. It also requires clear and differentiated roles and responsibilities, including clearly defined areas of reliance and a stronger ‘voice of assurance’ across Second and Third Line.

Activity 11.1.1

Design Activity 11.1.1 requires Westpac to define a coordinated assurance approach to be defined across the 3LoD, including methodology, roles, responsibilities, planning and reporting. An objective of the coordinated approach is to optimise the effectiveness and efficiency of assurance, for example by avoiding unnecessary overlaps or similar assurance being duplicated across the 3LoD.

As outlined In our Seventh Report, Promontory assessed the previous submission of this design Activity as incomplete. The framework as designed at that point in time required a material uplift in order to achieve the intended target state.

Since the time of our previous assessment, Westpac has considered the issues identified and has undertaken significant stakeholder engagement across the 3LoD. The framework for the assurance model was redeveloped, including an overarching standard applicable across all

3LoD and a subset of detailed documentation that establishes the requirements and guidance to support each Line of Defence to conduct their assurance activities. As a result, Westpac has established a clearer assurance model with complete coverage across risk domains and roles, responsibilities and reliance are now clearly articulated. The framework for coordination and planning of assurance activities is also clear.

The documentation was finalised and rolled out across the Bank in late September 2022. The bank is now in the implementation phase of the model and the FY23 assurance plan has been approved and is underway.

In addition to resubmitting the Closure Pack, Westpac representatives met with Promontory to provide an overview of the activities undertaken during the redevelopment of the solution and to outline how the redeveloped framework operates.

Based on our assessment of the Activity Closure Pack and the supporting documentation, as well as our discussion with Westpac representatives we concluded that Westpac had taken appropriate steps to define a coordinated assurance approach across the 3LoD including methodology, roles and responsibilities, coverage, planning and reporting.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 11.1, we will consider how embedment strengthens the voice of assurance. In particular we will look for adherence to the standards and guidance across the 3LoD, how the output of assurance reviews will be monitored for quality and consistency, and how reporting is used to elevate the voice of risk and to provide quality insights to relevant risk committees so that identified weaknesses can be addressed.

5.5.5. Workstream 12 – Compliance Management (WS12)

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

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

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

Figure 5.12: WS12 Activity Status

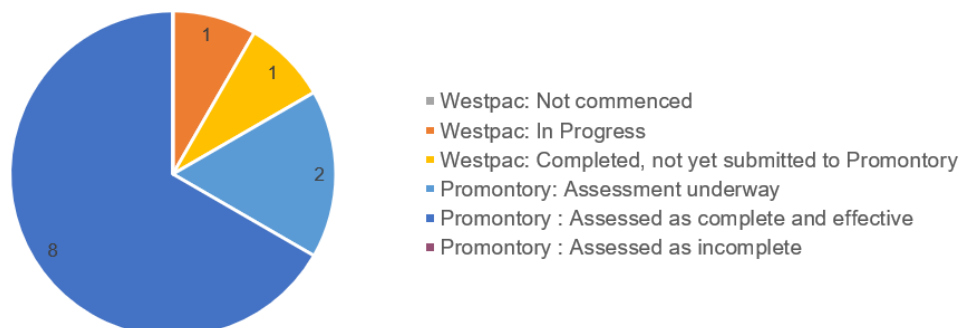


Table 5.13: WS12 Deliverables Progress

| # | Deliverable | Closed Activities | Total Activities |
|--------------|-----------------------------------|-------------------|------------------|
| 12.1 | Compliance Obligations management | 2 | 3 |
| 12.2 | Breach reporting | 2 | 3 |
| 12.3 | Regulatory commitments | 2 | 3 |
| 12.4 | Managing regulatory developments | 2 | 3 |
| Total | | 8 | 12 |

Assessment of Deliverable 12.3

Deliverable 12.3 requires the establishment of an effective operating model for managing regulatory commitments, including clear accountability and a central register for commitments.

Activity 12.3.2

Implement Activity 12.3.2 requires the implementation of the revised regulatory commitment model and regulatory commitments register, including the roll out of training and communications.

As part of this Activity, Westpac implemented a revised Regulatory Commitments Model, updated and operationalised the Regulatory Relationships Policy and documented and operationalised guidance on Managing Regulatory Relationships to provide consistent minimum expectations across the Group. Targeted role-based training was provided to relevant stakeholders and communications were rolled out to confirm key messages, FAQs and an instructional video was also created to assist users. As to the Regulatory Commitments register, in preparation for the system ‘going live’, data uplifts were made to JUNO (Westpac’s system of record) with records previously maintained outside of JUNO being captured in the system, and access protocols implemented.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the oversight of data inputs into the Regulatory Commitments

Register and clarification of the accountabilities across the 3LoD for regulatory matters. Promontory also requested a demonstration of the Regulatory Commitments Register in JUNO to understand its reporting capabilities and functionality for users.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the demonstration we observed, we concluded that Westpac had taken appropriate steps to implement a revised regulatory commitment model and register, and that appropriate training and communications had been rolled out to inform users and stakeholders of the requirements and functionality of the revised model and register.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 12.3, we will consider whether any continuous improvement measures are implemented to address user feedback and we will review the insights and quality of reporting produced from the data captured in the Register.

5.6. Conduct Theme Progress

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

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

5.6.1. Workstream 13 – Conduct Risk (WS13)

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

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

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

Figure 5.13: WS13 Activity Status

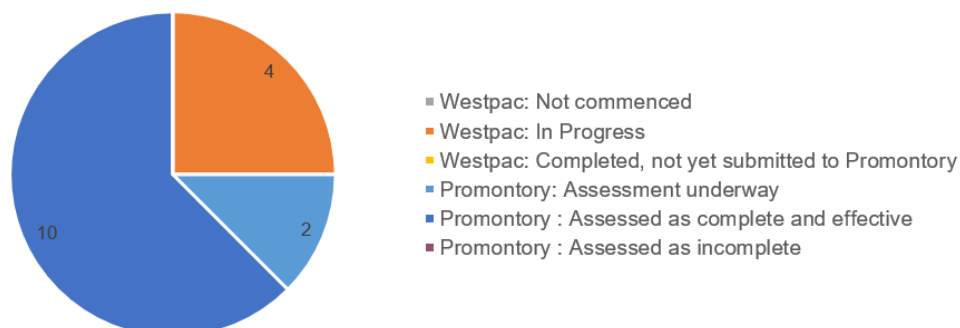


Table 5.14: WS13 Deliverables Progress

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

5.7. Complaints Theme Progress

There were no Activities submitted for assessment during the Reporting Period, given that all 18 complaints Theme Activities had previously been assessed as complete and effective during prior reporting periods.

During the Reporting Period Westpac submitted four Deliverable packs which were assessed by Promontory. As at the Reporting Date, there are no outstanding Activities for this Theme to be submitted to Promontory for assessment.

5.7.1. Workstream 14 – Customer Complaints (WS14)

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

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

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

Figure 5.14: WS14 Activity Status

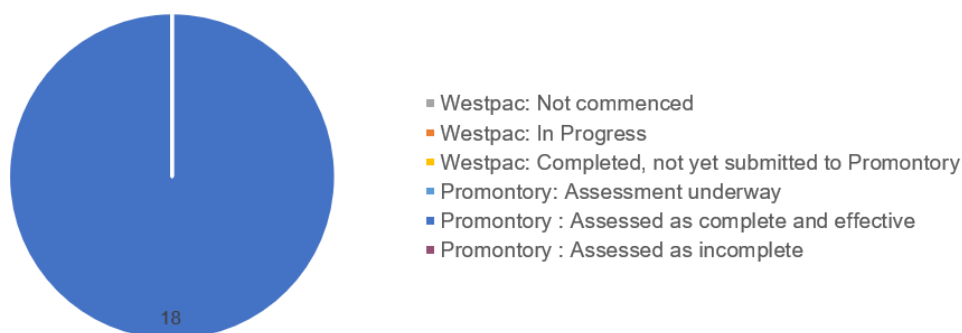


Table 5.15: WS14 Deliverables Progress

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

Assessment of Deliverable 14.1

Deliverable 14.1 requires the demonstration of operating effectiveness of Customer Complaints Reporting (including ‘serious and extreme’ cases and long-dated customer matters), of the centralisation and standardisation (incorporation of Insurance) and of the update of relevant Executive scorecards.

As part of this Deliverable, Westpac has enhanced complaints reporting and improved accountability for complaints management which has improved customer resolution outcomes and Westpac’s complaints culture. Westpac have designed changes required by reviewing current customer complaints management (including the operating model, reporting, and governance), updated Executive scorecards with complaints management metrics and implemented and embedded the changes designed.

After reviewing this Deliverable and associated Activities, Promontory has assessed that the Sustainability Principles have been operationalised and are operating effectively to support the maintenance of the Target State, with sufficient evidence that processes and controls for sustainability are embedded in Westpac's existing frameworks. Promontory has noted it would like to receive the next six-monthly thematic complaints report to the Board Risk Committee as part of our on-going assurance of the Program.

Assessment of Deliverable 14.2

Deliverable 14.2 required the operationalisation of updates to the Customer Complaints Policy.

As part of this Deliverable, Westpac has updated the Customer Complaints Policy, communicated its requirements through the business and monitored its operationalisation resulting in the approval of an Operating Effectiveness memorandum regarding the Customer Complaints Policy.

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 14.3

Deliverable 14.3 required the establishment of a centralised complaints system Resolve through a Release 1 roll-out across the Main Bank (excluding the Wealth business).

As part of this Deliverable, Westpac has established the design, tested the functionality, managed the transition and reviewed the effectiveness of the complaints management system to the main bank scope. This has resulted in the first release of a single complaints management platform, Solve It. The scope of Release 1 was to deliver "A single end-to-end complaints management system for the Westpac Banking Group (WBG) enabling visibility for all complaints, available for customers to submit and track in their channel of choice."

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 14.4

Deliverable 14.4 requires Westpac to establish a centralised complaints system (Resolve) through a Release 2 roll-out across its main bank and Wealth business, with additional features.

As part of this Deliverable, Westpac has implemented the second release of Solve It, rolling it out to the Wealth business divisions and extending the system's capabilities.

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.

5.8. Technology and Data Risk Theme Progress

During the Reporting Period Promontory assessed four Technology and Data Theme Activities as complete and effective. Taking into account Activities assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of 16 of the 25 technology and data Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac submitted three Closure Packs for the Technology and Data Theme to Promontory. As at the Reporting Date, Promontory was in the process of assessing three Activities and one Deliverable for this Theme.

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

5.8.1. Workstream 15 – Technology Risk Governance (WS15)

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

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

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

Figure 5.15: WS15 Activity Status

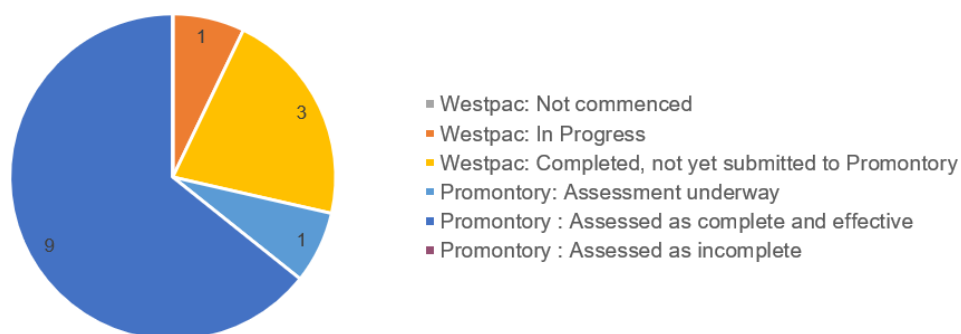


Table 5.16: WS15 Deliverables Progress

| # | Deliverable | Closed Activities | Total Activities |
|--------------|--|-------------------|------------------|
| 15.1 | Identification and measurement of technology risk (RAS and KRIs) | 2 | 3 |
| 15.2 | Technology service risk | 3 | 5 |
| 15.3 | Technology roadmap prioritisation and investment governance | 2 | 3 |
| 15.4 | Technology risk oversight and reporting | 2 | 3 |
| Total | | 9 | 14 |

Assessment of Deliverable 15.1

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

Activity 15.1.2

Implement Activity 15.1.2 requires Westpac to communicate changes to the Technology Risk Appetite Statement across the organisation and define Divisional Risk Appetite in line with the Group risk appetite guidance. Governance forums must be updated to reflect the greater oversight of technology risk. The Technology Obsolescence Risk RAS measure should be reviewed with the updated data delivered by 15.4.

In this activity, the Board RAS measure for Technology Obsolescence risk has been cascaded down into relevant divisional Risk Appetite Statements and supported by communication from the Head of Technology Risk, information sessions and the development of the Technology Risk Appetite Measure SOP. The Technology Obsolescence RAS measure was reviewed using the updated data delivered through Workstream 15.4 and wording changes have been made to the RAS measure following the review.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding which divisions and LoBs the Board RAS measure had been rolled out to, and the training provided in support of the rollout.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to define Divisional and in-scope LoB risk appetite statements in line with Group risk appetite and that the RAS measures had been reviewed using the data delivered by Workstream 15.4.

Assessment of Deliverable 15.2

Deliverable 15.2 requires defining and documenting a framework to consistently assess and measure technology service risk. This includes implementing an ongoing process to assess and measure service risks for Business Managed Applications (BMAs).

Activity 15.2.4

Implement Activity 15.2.4 requires implementation of training, awareness and guidance to enable business divisions to perform service risk assessments (SRAs) of BMAs in line with the established SRA schedule.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding roles and responsibilities, feedback received from relevant stakeholders on training and the quality of outcomes. We were particularly interested in the divisional experience of uplifting capability, the approval and sign-off process and monitoring of outcomes. We also sought to understand the quality assurance performed on outcomes.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to provide relevant stakeholders with adequate training, awareness and guidance to enable businesses to complete SRAs.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 15.2 we will consider the actions Westpac have taken to clarify and maintain accurate records. We will also assess whether quality assurance processes have been adequately implemented and roles and responsibilities are clearly and consistently documented and communicated.

Assessment of Deliverable 15.4

Deliverable 15.4 requires the review and enhancement of existing technology risk reporting, with a focus on the assessment and measurement of risk against risk appetite.

Activity 15.4.2

Implement Activity 15.4.2 requires Westpac to implement the new reporting suite for key risk metrics, including any determined as part of Deliverable 15.1, and communicate this to key

stakeholders. Governance forum charters should also be updated to reflect the oversight of technology risk.

In this activity, go-live approval for the new data platform was given on 26 April 2022, which covered seven of the eight key source systems defined in Activity 15.4.1. The platform went live on 4 May 2022 and was launched with 7 dashboards and allows users to drill down into any underlying data and use filters where relevant. In addition, the terms of reference for Divisional and LoB Risk Committees were reviewed for technology risk representation and coverage of technology risk in standing agendas, with no changes required.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the implementation of data quality in support of the data platform and the integration of data feeds from Holocentric. In addition, we were interested in the provision of training for relevant staff, including demonstrations of the platform for key stakeholders.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to implement the reporting suite and review technology risk representation at relevant committees.

5.8.2. Workstream 16 – Data Risk Governance (WS16)

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

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

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

Figure 5.16: WS16 Activity Status

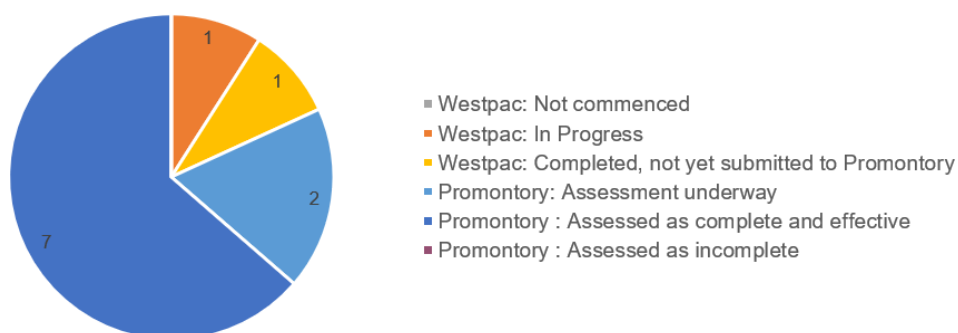


Table 5.17: WS16 Deliverables Progress

| # | Deliverable | Closed Activities | Total Activities |
|--------------|--------------------------------|-------------------|------------------|
| 16.1 | Data oversight and reporting | 3 | 5 |
| 16.2 | Tooling and execution | 2 | 3 |
| 16.3 | Incident definition and rating | 2 | 3 |
| Total | | 7 | 11 |

Assessment of Deliverable 16.2

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

Activity 16.2.2

Implement Activity 16.2.2 requires implementation of tools and processes for managing CDEs in DMOS (including new or changed CDEs), and the continuation of onboarding CDEs onto DMOS in line with established processes (refer Activity 16.1.3). Note that onboarding includes data lineage and controls assessments, identification of control deficiencies and logging as issues. Remediation of control deficiencies is outside of the scope of the EU.

To onboard, manage and maintain CDEs in DMOS, Westpac leveraged a combination of existing capability and newly implemented capability to develop a number of supporting tools and processes and an operating model for support. The tools and processes were implemented with guidance, training and were outlined with roles and responsibilities.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the implementation of DMOS, including onboarding, maintenance and reporting processes. We were particularly interested in the post-implementation quality assurance and feedback, and the businesses’ experience in performing established processes to manage CDEs in DMOS.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to implement tools and processes for managing CDEs in DMOS and onboard CDEs in line with established processes.

Promontory noted that, as part of our assessment of the subsequent Activity within Deliverable 16.2, we will consider the enhancement of end-to-end ownership of CDEs, implementation of strategic solutions, and consistent usage of the DMOS dashboard.

5.9. Financial Risk Classes Theme Progress

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

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

5.9.1. Workstream 17 – Credit Risk Governance (WS17)

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

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

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

Figure 5.17: WS17 Activity Status

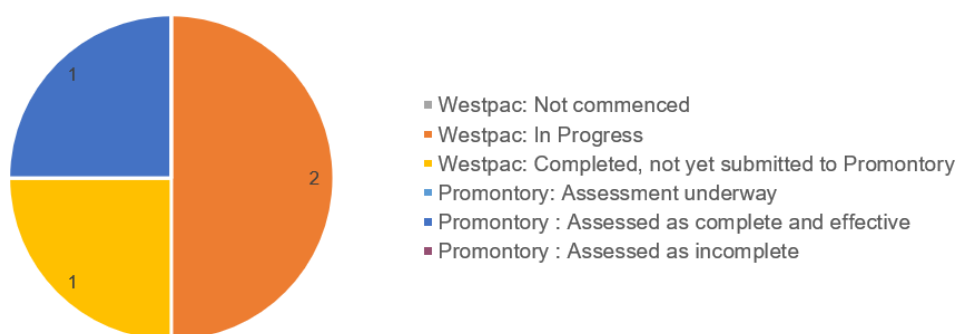


Table 5.18: WS17 Deliverable Progress

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

5.9.2. Workstream 18 – Market Risk Governance (WS18)

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

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

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

Figure 5.18: WS18 Activity Status

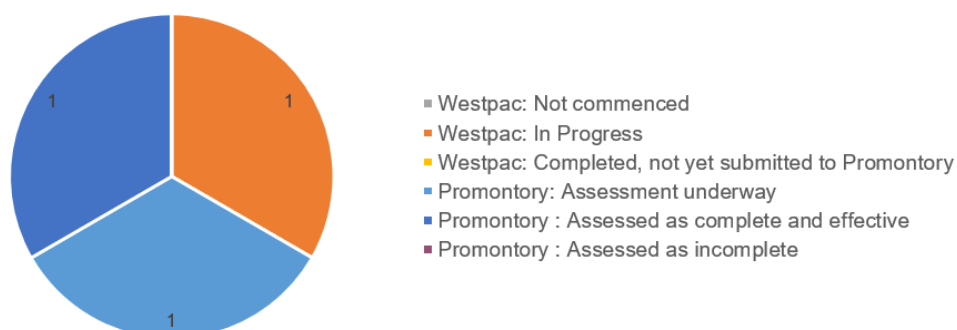


Table 5.19: WS18 Deliverable Progress

| # | Deliverable | Closed Activities | Total Activities |
|------|------------------------|-------------------|------------------|
| 18.1 | Market Risk governance | 1 | 3 |
| | Total | 1 | 3 |

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

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

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

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

Figure 5.19: WS19 Activity Status

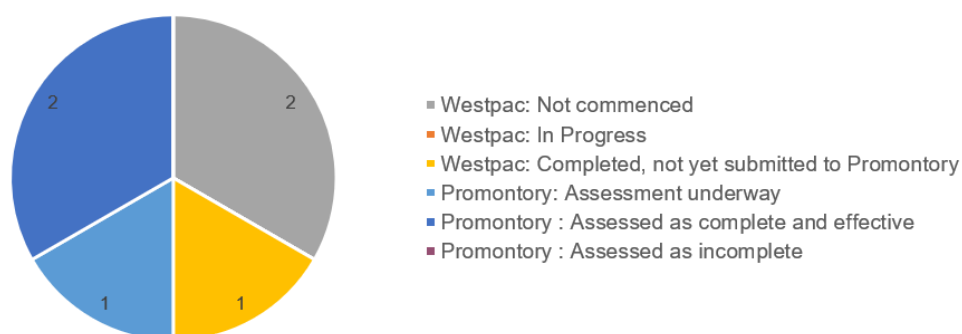


Table 5.20: WS19 Deliverables Progress

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



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