



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

Prepared by Promontory Australia, a business unit of IBM Consulting

Fifth Report

3 May 2022

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

3 May 2022



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

This Fifth 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 Fifth 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
BAC	Board Audit Committee
BAU	Business As Usual
BCM	Business Controls and Monitoring
BEAR	Banking Executive Accountability Regime
BLRCC	Board Legal, Regulatory and Compliance Committee
BRiskC	Board Risk Committee
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
CRO	Chief Risk Officer
CTO	Chief Transformation Officer
DCRO	Divisional Chief Risk Officer
DDGF	Divisional Delivery Governance Forum
Deficiencies	Westpac's risk governance shortcomings as set out in the Deficiencies Register
Deliverable	Each Workstream comprises a group of Deliverables

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Abbreviation	Definition
Deliverable Target State or Target State	Describes the outcomes to be achieved by completing a Deliverable
Divisions	The business units within the Westpac Group
ET	Executive Team
EU	Enforceable Undertaking
FCC&C	Financial Crime, Compliance and Conduct
Fifth Report or this Report	Promontory's fifth report on the Independent Review of Westpac's Integrated Plan, dated 3 May 2022
First Report	Promontory's first report on the Independent Review of Westpac's Integrated Plan, dated 5 March 2021
Fourth Report	Promontory's fourth report on the Independent Review of Westpac's Integrated Plan, dated 8 February 2022
GE	Group Executive
GM	General Manager
GTO	Group Transformation Office
HR	Human Resources
Integrated Plan or the Plan	The plan Westpac has established to address APRA's concerns and to uplift Westpac's risk governance
Interdependency	A linkage across Activities in different Workstreams within the Integrated Plan
IRC	Integrated Readiness Checklist
JUNO	Westpac's integrated risk and compliance management system
L&D	Learning and Development
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 Group 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

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Abbreviation	Definition
Package	Westpac's delivery mechanism that groups Activities in the Integrated Plan over a coming 90-day period to create a consolidated view of Divisional change requirements over that period
Program Deliverable Metrics	A set of Deliverable-level metrics in the Integrated Plan used to consider progress against the Target State for CORE Program Deliverables, across the period of the Integrated Plan.
Promontory	Promontory Australia, a business unit of IBM Consulting
PVB	Purpose, Values and Behaviours
RAG	Red, Amber or Green rating
RAS	Risk Appetite Statement
RCA	Risk and Control Assessment
RCIP	Risk Culture Insights Program
RCM	Risk and Compliance Matrix
RMF	Risk Management Framework
Reporting Date	31 March 2022
Reporting Period	This Report covers the period 1 January 2022 to 31 March 2022
ROC	Remuneration Oversight Committee
Second Report	Promontory's second report on the Independent Review of Westpac's Integrated Plan, dated 28 July 2021
Six-Monthly Review	Semi-annual review of the impact, effectiveness and sustainability of the CORE Program by Westpac
SoAs	Statements of Accountability
SRAs	Service Risk Assessments
SteerCo	The Westpac executive-level Steering Committee for the CORE Program
Third Report	Promontory's third report on the Independent Review of Westpac's CORE Program, dated 29 October 2021
Westpac or the Bank	Westpac Banking Corporation
WGMGF	Workstream General Manager Governance Forum
Workstream	An area of work in in the CORE Program

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Abbreviation	Definition
Workstream Objective	A description of Westpac is aiming to achieve through the work being done in that Workstream set out in the Integrated Plan

Executive Summary

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

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

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

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

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

This Report covers activity during the period from 1 January 2022 to 31 March 2022. The status of the program is reported as at 31 March 2022.

As the period covered by the report includes the first anniversary of establishment of the remediation plan, we also reflect on the significant progress made to date and the challenges that will need to be addressed to ensure that the program achieves its intended outcomes.

Program Progress and Status

The remediation plan is made up of 343 separate design, implement or embed activities.

As at the reporting date, work on the design stage of the program was largely complete. This stage involved substantial work to finalise almost all the 118 design activities. Work on the implement and embed stages is ongoing.

The program's overall status moved from green to amber during the reporting period. This was driven, in part, by scheduling uncertainty and the risk of disruption and quality issues as Workstreams and Divisions work through the impacts of the recent Group-wide organisational changes.

The program nevertheless remains on track in terms of completing activities within the planned timeframes. The design stage of the program has laid down a solid foundation from which Westpac can address the root causes of its shortcomings during the implement and embed stages of the program. However, much remains to be done to implement and embed the

desired changes. Westpac needs to stay the course to complete the ambitious change agenda it has set, and to ensure that it can manage its risks capably and sustainably into the future.

Program Developments

Early 2022 was a significant period for the program.

Westpac announced major changes to its organisational structure and leadership team, including changes to the executive sponsorship arrangements for the CORE program. The changes made to the organisational structure are consistent with the objectives of the program in that they are intended to further embed the lines of business model and clarify accountabilities across the Bank.

During the reporting period, Westpac moved closer to finalising its approach to documenting, executing and evidencing sustainability. As discussed in our previous reports, sustainability is a critical component of the program, as it ensures that Westpac's shortcomings are addressed on an ongoing basis. Sustainability received increased attention during the reporting period as Westpac established a set of sustainability principles to help ensure that the intended outcomes of the program are maintained after the program ends.

As discussed in our fourth report, Westpac recently consolidated and refined its approach to measuring program outcomes across the Group. The changes to these measures are designed in part to bring a greater quantitative approach to the assessment of program progress and business outcomes. Westpac is in the process of operationalising these measures throughout the Group.

In our fourth report we noted the importance of Westpac continuing to adapt during the implement and embed stages to risk events and issues that arise while the program is in flight, such as market events or regulatory reviews. We observed that Westpac could benefit from a more structured approach in this area. During the reporting period, Westpac developed a 'Material Matters' process to allow ongoing consideration of significant matters that may be relevant to Westpac's risk governance and the CORE program.

Focus Areas

Much has been achieved in the first year of the CORE program. Westpac has set itself up for success with considerable effort during the design phase; those involved should feel justified in acknowledging the progress that has been made since the plan was established.

Nonetheless, the Bank must remain mindful that successfully achieving a significant uplift in risk governance will continue to require substantial work and a rigorous focus on execution. The Bank's difficulty in 'staying the course' during major projects, which has been identified as one of Westpac's cultural weaknesses in the past, will need to be overcome.

One of the challenges Westpac will need to address during the next stage of the program is mitigating the potentially disruptive impact of the organisational restructure. While the changes

under the restructure are consistent with the objectives of the CORE program, there is a risk of distraction given the direct impact on the program. It is therefore important that Westpac ensures that these changes, including to the sponsorship of the program, do not result in a loss of focus or momentum. Westpac must also ensure that institutional knowledge that is needed to facilitate the successful execution of the program is not lost.

As the program becomes less centralised, greater consideration will need to be given to consistency in execution across the Bank in order to ensure that the program addresses the root causes of the Bank's shortcomings. To help promote consistency, divisions should work to share better practice with each other, and a stronger focus should be given to coordination across divisional boundaries. Both the Business Divisions and the CORE program team have a role to play in helping to mitigate and address any issues of inconsistency in implementation.

It is vital that the quality of execution is appropriately balanced against speed of delivery. As we have noted in previous reports, a sense of urgency in program delivery is necessary, but it must be provided in a way that supports sustainable and meaningful change with appropriate timeframes for embedment. Westpac should ensure that the challenges it encounters during the implement and embed stages are properly addressed, so that the intended outcomes of the program can be achieved to a high level of quality. Continuing to consider and incorporate refinements to the program as lessons emerge will also remain an important feature of quality execution. Sustained support for the program at the highest levels of the organisation should help ensure that Westpac successfully achieves Program outcomes.

During the implement and embed stages of the program, change fatigue is also likely to pose a growing challenge to momentum and motivation. The next stage of the program will see an extended period of broad-based change being made throughout the organisation, which will be undertaken at the same time as a number of other change programs currently in progress at Westpac. Westpac should closely monitor the ability of the organisation to absorb the planned changes and make necessary adjustments to maintain momentum.

In this context, a key contributor to program success will be a relentless focus on outcomes. The key objectives that underpin the program must remain in sight, even as there is continued testing of Westpac's progress towards this vision.

In summary, much has been achieved in this first year, especially in relation to Program design. However, this is a long-term program of transformation, there is still much to do, and it is critical that there is a sustained effort to support successful implementation.

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

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 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

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.

Theme	Workstream
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 (**Target State**). Westpac expects certain risk governance shortcomings that are set out in the Deficiencies Register (**Deficiencies**) to be addressed, either in whole or in part, once the Target State of a Deliverable has been achieved.

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

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

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

1.3. The CORE Program

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

Accountability for the successful execution of the Program sits with Executive leaders, and has been incorporated into their Banking Executive Accountability Regime (**BEAR**) Accountability Statements. The Group Executive (**GE**) Financial Crime, Compliance and Conduct (**FCC&C**) was the executive sponsor of the Program and held accountability for leading the Program during the Reporting Period.² Individual GEs are accountable for the

² Accountability for leading the Program will soon be transferred to the Chief Transformation Officer. The Chief Transformation Officer's role is discussed further in section 3.7.1.

delivery of specific Workstreams and for the implementation and embedment of relevant Activities within their respective Divisions. The principle underpinning the allocation of these accountabilities is that delivery should, as far as possible, align with existing business-as-usual (**BAU**) responsibilities.

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

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

The Board Risk Committee (**BRiskC**) provides primary Board-level oversight over the Program. Additionally, individual Directors have regular engagement with particular Workstreams.³

1.4. Promontory's Approach

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

Our role as independent reviewer includes:

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

1.4.1. Assessing Effectiveness

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

For Design Activities, our assessments focus on whether:

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

For Implement Activities, our assessments focus on whether:

- the Activity Closure Criteria have been met;

³ Individual Directors will soon also have regular engagement with the Divisions on the execution of the Program.

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- 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, which measure performance against the Target State for individual Deliverables, reaching the required level;
- the associated Deficiencies (including relevant root causes) are being addressed; and
- the Deliverables are sustainable so they support and evidence the maintenance of the Target State on an ongoing basis.

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

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

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

whether a specific Deficiency has been addressed may consider only that part of the Deficiency that is being addressed by the relevant Deliverable.

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

1.4.2. Reporting

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

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

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

1.5. Report Structure

This remainder of this Report is structured as follows:

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

2. Program Progress

During the Reporting Period, the CORE Program remained on track, with work on scheduled Activities concluded by the relevant target dates and Closure Packs delivered to Promontory within the committed timeframes.

The Integrated Plan is made up of 343 separate Design, Implement or Embed Activities. These Activities are grouped into 82 Deliverables. As at the Reporting Date, Westpac had delivered Closure Packs for 194 Activities to Promontory, which is a little over half of the Activities in the Plan.

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

- Westpac had submitted Closure Packs for 110 Activities to Promontory.
- Promontory had assessed a total of 97 Activities as complete and effective.
- We had not yet completed our assessment of 13 Activities.

The Program continued its work on Implement Activities during the Reporting Period. As at the Reporting Date, of 136 Implement Activities:

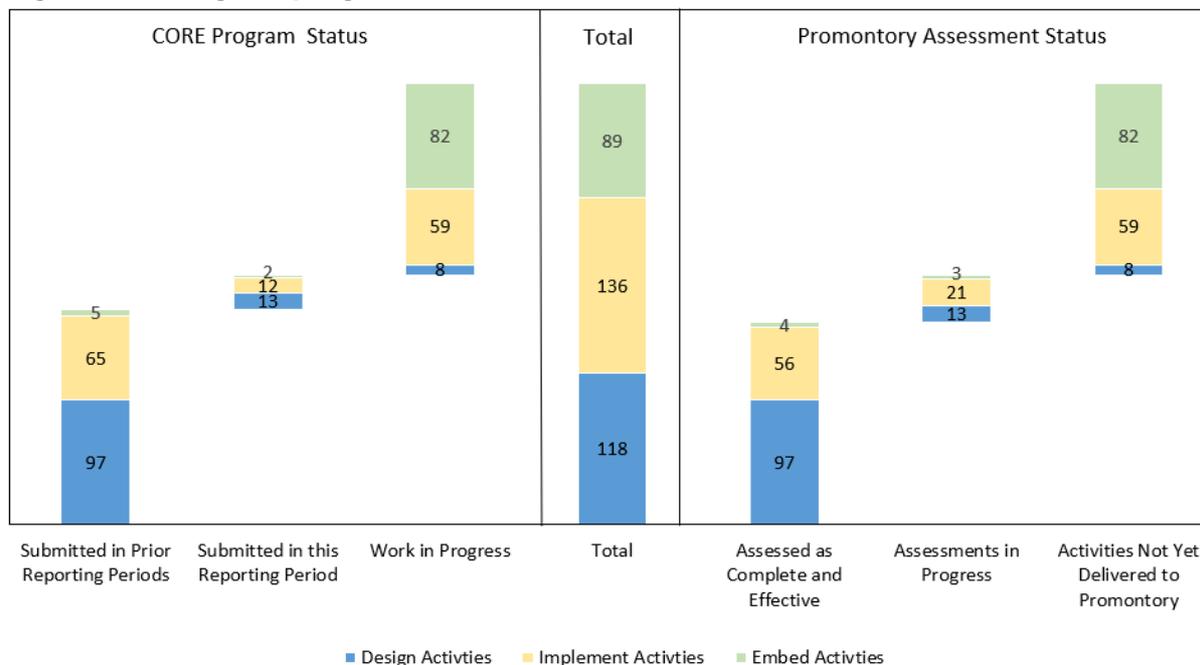
- Westpac had submitted Closure Packs for 77 Activities to Promontory.
- Promontory had assessed a total of 56 Activities as complete and effective.
- We had not yet completed our assessment of 21 Activities.

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

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

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

Figure 2.1: Program progress



Of the 157 Activities assessed by Promontory, assessments of 29 Activities were completed during the Reporting Period. This consisted of 14 Design Activities and 15 Implement Activities. Further information on the assessment of these Activities is provided in Chapter 5.

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

Table 2.2 Program Progress by Workstream

WS	Activities with Westpac			Activities submitted to Promontory		Total
	Work not commenced	Work in Progress	Completed but not yet submitted to Promontory	Assessment underway	Assessed as complete and effective	
1	9	4	3	2	12	30
2	1	5	0	2	7	15
3	2	4	0	3	15	24
4	2	3	1	2	13	21
5	0	3	0	1	13	17
6	8	9	4	2	13	36

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WS	Activities with Westpac			Activities submitted to Promontory		Total
	Work not commenced	Work in Progress	Completed but not yet submitted to Promontory	Assessment underway	Assessed as complete and effective	
7	5	7	1	2	16	31
8	5	7	1	3	16	32
9	4	3	0	3	1	11
10	10	7	3	3	17	40
11	1	1	0	2	0	4
12	3	2	2	0	5	12
13	2	3	1	3	6	15
14	0	1	0	2	15	18
15	4	5	0	0	5	14
16	1	4	0	3	3	11
17	0	2	0	1	0	3
18	1	1	0	1	0	3
19	1	3	0	2	0	6
Total	59	74	16	37	157	343

At the March SteerCo meeting, the Program's overall status was reported as Amber. The change from Green to Amber during the Reporting Period was driven, in part, by scheduling uncertainty and the risk of disruption and quality issues as Workstreams and Divisions work through the impacts of the recent Group-wide organisational changes, which are discussed further in section 3.7.1.

In addition, the status of two Workstreams, WS7 and WS15, was reported as Red at the March SteerCo. The status of WS7 was driven primarily by a dependency on the delivery of the Group Capability Framework, which affected Deliverable 7.4 and is further discussed in section 5.4.1. The status of WS15 was driven primarily by data quality issues, which affected Deliverable 15.4 and is further discussed in section 5.8.1. Westpac is working to progress plans to move the status of these Workstreams out of Red.

3. Program Developments

Early 2022 was a significant period for the CORE Program. During the Reporting Period, Westpac:

- announced a major restructure involving changes to its organisational structure and leadership team, including changes to the executive sponsorship arrangements for the CORE Program;
- established a set of Sustainability Principles to help ensure that the work completed to achieve the Deliverable Target State is maintained;
- consolidated and refined its approach to measuring Program outcomes across the Group; and
- developed a process to allow it to adapt to risk events and issues that arise while the Program is in flight.

We describe these and other key Program developments in more detail below.

3.1. Board Oversight

3.1.1. Board Risk Committee

During the Reporting Period, Board oversight occurred mainly through the relevant Board Committees, including the BRiskC. Promontory attended two BRiskC meetings and observed six agenda items related to the CORE Program during the Reporting Period. These included:

- The regular updates on the Program in January and March, which focused on the:
 - delivery status of the Activities;
 - progress made towards achieving sustainable outcomes; and
 - risks to the successful execution of the Program, such as cost pressures.
- The initial reporting of the Outcome Measures, which are discussed further in section 3.7.3.
- A discussion on Promontory's Fourth Report.
- Deep dives related to the following Workstreams:
 - Risk Roles and Capabilities (WS6);
 - Risk Management Framework (WS8); and

- Compliance Management (WS12).

As an outcome of the first Six-Monthly Review, which considered potential future challenges for the Program, Westpac is considering shifting the focus of the BRiskC deep dive sessions. The focus of these sessions will therefore move away from design within the Workstreams and towards the implementation and embedment of the Program within the Lines of Business (LoBs) and Divisions.

3.1.2. Director Touchpoints

During the Design stage, Director Touchpoint sessions have generally involved Directors engaging with the sponsors and owners of individual Workstreams. With the focus of the Program turning to the Implement and Embed stages, the content of Director Touchpoints is being revised to give Directors greater insight into the changes being implemented in the LoBs and Divisions.

Other key changes being made to the structure of the Director Touchpoints with the aim of realising simpler, more effective oversight include:

- the attendance of two Directors at each Touchpoint session; and
- a decrease in the frequency of Touchpoint sessions from every six weeks to every quarter.

The Director Touchpoints will provide Directors with an opportunity to hear from and challenge Accountable executives about the implementation and embedment of Activities in their Divisions. We expect effective engagement with the Directors to include:

- providing clarity on the outcomes being delivered;
- a discussion of progress at the Divisional level;
- a review of measures of Program success; and
- actions being taken to address any challenges raised by the Directors.

No Director Touchpoints were held during the Reporting Period, but sessions will recommence in the next reporting period. We will monitor the engagement between the Directors and Divisions during these sessions.

3.2. Program Governance Arrangements

3.2.1. Governance Forums

As in previous reporting periods, Promontory continued to observe governance forums, including the SteerCo, the CORE Governance Forum (CGF), the Detailed Design Forum

(DDF), the Workstream GM Governance Forum (**WGMGF**) and the Divisional Delivery Governance Forum (**DDGF**).

As the Program transitions to the Implement and Embed stages, Program governance forums have evolved to ensure the changes being made are built into the operating rhythms of the business. While the substantive governance structure of the Program remains as discussed in our First Report, Westpac made the following changes with the aim of realising simpler, more effective governance:

- Program risks and issues are managed via the CGF instead of the weekly Risks and Issues Forum.
- The Design Authority will be discontinued and the mandate of this forum will be redistributed between the DDF and SteerCo.
- Representatives from Group Audit and Line 2 have been formally added to the list of participants in the DDGF and the WGMGF.

Promontory will continue to monitor whether these governance forums operate in alignment with their purposes, and whether they are evolving appropriately as the Program matures.

3.2.2. Status Reporting

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

As discussed in our Fourth Report, uplifting status reporting quality, in particular improving the consistency of Program health status reporting, continues to be a focus. During the Reporting Period, increased challenge of status reporting was evident in governance forums, including the BRiskC, where Directors challenged the Red, Amber or Green (**RAG**) status reported for Workstream health and provided feedback in relation to this reporting. There was evidence that this feedback had been considered in the March SteerCo reporting for two of the Workstreams experiencing resourcing issues. However, Promontory observes that there is opportunity for more effective discussion of program status across governance forums, which is further discussed in Chapter 4. We will continue to monitor the quality of Program status reporting and related discussions.

Recently, Westpac has shifted reporting about progress towards achieving outcomes to more quantitative measures that assess progress status (i) over time, (ii) across Workstreams, and (iii) across LoBs and Divisions. The revised Outcome Measures were reported for the first time in the February SteerCo. As discussed in the previous report, Westpac has also commenced reporting on Program Deliverable Metrics to the November SteerCo. Both Outcome Measures and Program Deliverable Metrics will be reported on a quarterly basis with the next reports due in April 2022. Further information on these outcome measures is provided in section 3.7.3.

3.3. Risk and Group Audit Reviews

3.3.1. Risk Review

Line 2 continued to provide oversight over the CORE Program at the Program level, Workstream level and the Divisional level, with an increased focus on Divisional implementation and embedment during the Reporting Period.

As discussed in previous reports, Line 2 oversight has evolved and expanded over the past year. During this Reporting Period, Promontory observed that a regular cadence and approach has been established in providing oversight over the Workstreams and Divisions. As the Program focuses on the Implement and Embed work being conducted by the Divisions, there was increasing Line 2 emphasis on how the Divisions are working towards achieving desired outcomes, including evidence of consistent risk decision-making and adherence to Group Policies and Standards.

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

- Reviewing and challenging the process for Package 7, which is discussed further in section 3.6.1, including the sustainability of outcomes for individual Activities.
- Oversight of Workstream progress in completing Risk and Compliance Matrices (**RCMs**).
- Further enhancing the engagement of Divisional Chief Risk Officers (**DCROs**) with the Package process.

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

- Delivered risk requirements including the completion of RCMs. These were not fully adhered to at the Implement and Embed stages. This issue was also raised by Group Audit (see section 3.3.2).
- Ongoing organisational changes that may impact Divisional change management capacity. This risk was identified by the Program and is being monitored by the SteerCo.

Line 2 will need to focus on and proactively challenge the Program, Workstreams and Divisions on these issues to drive consistency and to improve the sustainability of outcomes. It is crucial that Divisions focus on delivered risk principles and hold Workstreams to account in delivering simple and sustainable control mechanisms.

3.3.2. Group Audit Review

During the Reporting Period, Group Audit completed the biannual CORE Program Review for Q2 FY22, providing Group Audit's view on the design and operating effectiveness of the delivery processes and controls in the Program.⁴

The scope of the review focused on the following aspects of the CORE Program:

- schedule and resource management;
- environmental scans to help inform necessary changes to the Integrated Plan;
- communication and engagement with Divisions on Package activities; and
- validation of issues identified in the Q4 FY21 CORE Program review.

Group Audit's CORE Program Review concluded that there were adequate oversight processes and rated management control as 'effective'. This was driven by findings that the CORE Team has adequate schedule and resource management processes, and that there is appropriate level of engagement between the CORE Program and the Divisions.

Two new issues were raised as part of the CORE Program Review. The first was for the CORE Team to include completeness checks as part of the design and operationalisation of the regular Six-Monthly Reviews to ensure the completeness of material events considered by the review. The second was for the CORE Program Management Plan to provide further clarity about roles and responsibilities in relation to oversight of the Workstreams' adherence to delivered risk management practices.

During the Reporting Period, Promontory met with Group Audit monthly to discuss Group Audit reviews relevant to the Program and to exchange views on Program governance. Group Audit delivered seven reports during the Reporting Period that were relevant to various Program Deliverables.

3.4. Funding and Resourcing

3.4.1. Funding

Throughout the Reporting Period, reporting on the financials of the Program continued to be provided to various governance forums. As discussed in our Fourth Report, one of the challenges that the Board and Executive may face is ensuring that the Program receives the appropriate priority and level of funding amidst the cost reduction program that is underway in the Bank. It remains crucial that the cost reduction program does not inhibit the ability of Westpac to deliver the intended outcomes of the Program.

⁴ Westpac's financial year runs from October to September.

During the Reporting Period Workstreams confirmed that the organisational restructure has no anticipated impact on delivery against the Plan. The usual quarterly review on the likely financial requirements for the delivery of CORE Activities was also conducted during the Reporting Period by the Workstream accountable GMs. Overall, the estimated required funding to execute the Program in FY22 still represents a significant increase over FY21, reflecting increased effort in the implementation of the Integrated Plan across the Group. The estimated required funding remains within Divisional expense forecasts.

Following the completion for the FY22 review, the CORE Program has commenced a review of, among other things, the required funding for FY23. We will continue to monitor Program funding arrangements in future reporting periods.

3.4.2. Resourcing

Resourcing challenges in Workstreams 7, 9, 10 and 16 were reported to the March SteerCo. These challenges were driven by vacancies in the Transformation Capability team (WS7), operational risk subject matter expert resource availability (WS9), updated resource forecasts to accommodate additional scope in the Integrated Plan (WS10) and transition of activity from external consultants to Westpac staff (WS16).

During the Reporting Period, Westpac reported emerging resourcing concerns in the Westpac Institutional Bank and Legal Divisions to the February SteerCo. These concerns were driven by competing demands for specialist data skillsets to onboard Critical Data Elements and meeting increased workloads in Q2 FY22, respectively. However, both Divisions were brought back to Green for resourcing health by the Reporting Date as the resourcing concerns were resolved.

As a result of organisational changes, Divisions are monitoring potential impacts on their ability to sustain Program outcomes, including the effect of additional BAU risk deliverables on their resource capacity. It is important for Workstreams and Divisions to work closely to determine and manage the impacts of organisational changes on CORE Deliverables.

3.5. Communications

Communications continued to play an important role in supporting the risk culture and behavioural change aspects of the CORE Program during the Reporting Period. Communications continue to be centred around five strategic interventions that are described by Westpac as follows:

- inspire our people;
- lift leadership capability;
- cascade tone from above;

- elevate customer voice; and
- track behaviour change.

The Reporting Period saw the introduction of new communications elements reflecting the learnings and outcomes from the Six-Monthly Review. The new elements, that are designed to drive and sustain behavioural change, are:

- Activate the middle executive tiers of the bank (described by Westpac as ‘the mighty middle’) – people leaders to role-model and echo change.
- Win hearts and minds – amplify and activate grassroots behaviour and adoption.

As noted in our Fourth Report, risk culture outcomes and employee sentiment metrics are tracked as part of Westpac’s communications strategy.

3.6. Change Management

3.6.1. Packages

Westpac continues to use the Package mechanism to implement and embed the Plan within the Divisions, and to supplement Program-level communications. Package 7, which was approved during the Reporting Period, has the message anchor of ‘Managing the business well – lifting and strengthening risk disciplines’. A summary of message anchors to date is provided in Table 3.1 below.

Table 3.1: 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	Continue 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.

Package 7, which consists of 17 new Activities, is intended to drive outcomes through the following:

- Strengthening the operating environment and reinforcing end-to-end risk management supported by tools, technology, process, risk reporting and data enhancements.
- Improving the integrity and reliability of Value Chains, supported by system enhancements, breach reporting, and assessment of risks, controls and obligations.
- Growing capability, conduct and behaviour, supported by risk capability assessments, decision making tools, risk goals and accountabilities.
- Maintaining strong risk governance, supported by informed decision making and effective resource allocation for managing risk, and investment prioritisation.

3.6.2. Change Control Mechanism

During the Reporting Period Westpac continued to manage changes within the CORE Program through a formal change control mechanism, as outlined in our Third and Fourth Reports. The change control register tracks change requests and includes details, including the rationale, impact, records of approvals and status of the request.

During the Reporting Period:

- 18 new change requests were logged in the change control register. These change requests included amendments to Program Deliverable Metrics, revision of Deliverable descriptions and Target States, extensions of Activity due dates, updates of Activity descriptions, and updates of Workstream GM accountabilities.
- 16 change requests were closed with the status of approved, with approved changes impacting 12 of the 19 Workstreams.
- Two major change requests remained open, pending BRiskC approval.

3.7. Other Program Developments

3.7.1. Organisational Restructure and Program Leadership

On 3 February 2022, Westpac announced a major restructure involving changes to its organisational structure and leadership team. The changes made to the organisational structure are consistent with the objectives of CORE in that they are intended to further embed the LoB model and clarify accountabilities. The restructure also forms part of the three-year cost reduction plan underway in the Bank.

This restructure has significant implications for the CORE Program. One outcome of the restructure is a change in the executive-level leadership of the Program, with the new role of Chief Transformation Officer (**CTO**) taking over Program sponsorship from the GE FCC&C. Organisational changes have also led to a change to the GE Sponsor for 12 Workstreams. The GM Owner for four Workstreams also changed during the Reporting Period.

Overall program health moved to Amber during the Reporting Period partly because of the restructure, due to the risk of disruption and quality issues as Workstreams and Divisions work through the impacts of these organisational changes.

The newly appointed CTO will commence in April 2022. The CTO will report directly to the CEO and will be a member of the Executive Team (**ET**) and a BEAR Accountable Person. The CTO's responsibilities include the following:

- management of the Group Transformation Office (**GTO**); and
- executive sponsorship of the Program.

In addition to the CTO, some of the responsibilities of the GE FCC&C will be reallocated to the Chief Risk Officer (**CRO**) and Chief Operating Officer.

As part of the arrangement for the restructure, the current GE FCC&C will continue as Program Sponsor of the CORE Program until late April 2022. The transition of accountability for the sponsorship of the CORE Program from the GE FCC&C to the CTO will take effect in April 2022. The GE FCC&C will also continue with Westpac until end September 2022 to assist in the transfer of institutional knowledge to the new CORE Program sponsor.

3.7.2. Sustainability

As discussed in our previous reports, sustainability is a critical component of Westpac's Integrated Plan as it ensures that the work completed to achieve all Deliverable Target States is maintained. Sustainability received increased attention during the Reporting Period as Westpac moved closer to finalising their approach to documenting, executing and evidencing sustainability.

Sustainability will be achieved through the application of a set of practices and mechanisms which Westpac describes as Sustainability Principles. Westpac Sustainability Principles consist of:

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

- sound risk culture, remuneration and consequences.

In practice, the outcomes of the Plan will need to be sustained using the already established BAU frameworks, responsibilities and procedures relevant to the particular area of focus. Promontory has worked closely with Westpac to ensure clarity of expectations on sustainability, especially with respect to clear evidence at the Embed and Deliverable stages. As noted in Section 1.4, Promontory's approach to assessing the efficacy of the Sustainability Principles commences with the Implement assessment, where we will look for consideration given to sustainability. At the Embed stage, Promontory will assess the articulation of how the Principles will apply to the specific Deliverable to satisfy the expectation that, once fully operational, the Principles will be able to support the ongoing maintenance of the Target State. The assessment of the operationalisation of the Principles is made at the Deliverable assessment stage.

3.7.3. Outcome Measures

As discussed in our Fourth Report, Westpac has recently refined its approach to measuring Program outcomes across the Group. The changes to these measures are designed in part to bring a greater quantitative approach to the assessment of Program progress and business outcomes.

These measures are made up of two broad sets:

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

Deliverable Metrics

The February 2022 SteerCo Meeting noted that, as at December 2021, data for 100 of the 183 Program Deliverable Metrics were reported, an increase from the 73 reported in the previous quarter. Westpac anticipates that a material portion of the remaining 83 unreported metrics will be reported in the upcoming quarter. In this Reporting Period, 84 metrics reported Green, 9 reported Amber and 7 did not have sufficient historical data to assign a rating.⁵

⁵ Westpac uses the following RAG status for the Program Deliverable Metrics:

- Green – Trended in a stable or favourable direction from the prior period and on track to meet the FY23 target, and/or at or above the FY23 Target;
- Amber – Trended in an unfavourable direction from prior period and below FY23 target, and/or below applicable threshold, and/or emerging concerns in meeting FY23 target; and
- Red – Trended in an unfavourable direction from prior period and below FY23 target, and/or below applicable threshold, and/or emerging concerns in meeting FY23 target and escalation is in place.

Outcome Measures

Westpac is in the process of operationalising the Outcome Measures in the LoBs and Divisions. Reporting to the February 2022 SteerCo Meeting noted that, as at December 2021, the FY22 objectives for 18 of the 50 measures had not yet been determined.

In addition to determining FY22 objectives, Westpac has noted its intention to automate the production of the Outcome Measures as far as possible and to introduce commentary that connects the results to progress in achieving outcomes. Automating the production of the measures will enhance both the efficiency and sustainability of the process.

Promontory will continue to monitor the development of FY22 and FY23 objectives, progress towards automating the production of the Outcome Measures, and whether these measures demonstrate that Westpac is progressing towards its defined outcomes.

3.7.4. Responding to Material Matters

As discussed in our Fourth Report, it is important that Westpac continues to adapt during the Implement and Embed stages to risk events and issues, including those that arise while the Program is in flight. We identified an opportunity for Westpac to develop a more structured approach to the assessment of risk issues that emerge while the Program is under way. The aim of such an approach would be to ensure that root causes are effectively understood, and lessons are incorporated into the Program as appropriate.

During the Reporting Period, Westpac developed a process to allow ongoing consideration of events that may be relevant to Westpac's risk governance – the Material Matters Approach. The Material Matters Approach considers several inputs, including:

- the results of Group Audit reviews;
- matters reported to the Root Cause Analysis Forum;
- meetings with Regulatory Relationships to discuss any matters that might be relevant to the Program; and
- information from the Group's approach to identifying emerging risks.

These inputs are then considered by the CORE Team to assess whether there is a need for changes to be made to any aspect of the Program. In doing so the CORE Team will reconcile the root causes of the matters identified and consider whether any new root causes need to be addressed.

4. Observations and Focus Areas

Westpac marked one year since the establishment of the Integrated Plan during the Reporting Period. The first anniversary of the Plan presents an opportunity to reflect both on the significant progress made to date as well as the challenges ahead that will need to be confronted to ensure that the Program achieves its intended outcomes. This is a long-term program of transformation, there is still much to do, and it is critical that there is a sustained effort to support successful implementation.

As at the Reporting Date, work on the Design stage of the Program was largely complete. This stage has involved substantial work to finalise almost all the 118 Design activities. The Design stage of the Program has laid down a solid foundation from which Westpac can drive the Implement and Embed stages of the Program.

As the Program moves further into the Implement and Embed stages it takes with it a significant amount of momentum. In particular, the Program has established an effective cadence, which has allowed it to complete a large volume of work on schedule and in accordance with the specifications of the Plan. The Central CORE team has played a constructive role in this process. The challenge now is to ensure that this momentum continues in the next stages and as the Program is embedded in the business.

To date, Westpac has supported the delivery of the Program with a substantial communications strategy, including ongoing messages from senior executives ('tone from the top'). This has contributed to an understanding of the importance of the Program, and the amount of work necessary to achieve the outcomes targeted by the Program within the Divisions.

Westpac has shown an ability to consider and incorporate changes and refinements to the Program as lessons from implementation emerge. This will remain an important feature of the management of the Program, balancing the need for the CORE Program to appropriately evolve without undermining the ability to execute effectively and to stick to key targets.

Given the progress made over the past year, and the extent to which Westpac has set itself up for success during the Implement and Embed stages, those involved in the Program should feel justified in acknowledging that progress has been made since the Integrated Plan was established. Nonetheless, the Bank must also remain mindful that the successfully addressing the challenges faced by the Program will continue to require substantial work and rigorous focus on execution.

As the Program becomes less centralised, these challenges will need active consideration. To ensure that it addresses the root causes of the Bank's shortcomings, the Program will need to navigate challenges such as mitigating the potentially disruptive impact of the organisational restructure, ensuring consistency in execution across the Bank and balancing the quality of execution against timeliness.

In this context, a key contributor to Program success will be a continued focus on outcomes. The key outcomes that underpin the Program must remain in sight, even as there is continued testing of progress towards this vision across governance forums.

4.1. Organisational Restructure and Program Sponsorship

The aim of Westpac's organisational restructure is consistent with the objectives of the CORE Program in that it aims to clarify, simplify and improve accountability across the Bank. The restructure seeks to do this by further embedding the Bank's LoB model, which is intended to improve end-to-end accountability for customer products and services. If managed effectively, these changes will support the outcomes of the CORE Program. However, there are inevitably risks associated with any such change, and these will need to be actively considered.

In the immediate term, it is important that changes to Westpac's organisational structure, including the sponsorship of the Program, do not result in a loss of focus or momentum in the Program. In particular, the changes will need to be managed to ensure they do not distract from the effective implementation and embedment of the Program within the Divisions. One way of dealing with this risk is to emphasise the links between the restructure and the objectives of the CORE Program as part of ongoing communications.

Similarly, it is important that Westpac remains cognisant of the effect that these changes may have on the stock of institutional knowledge. Given recent staff movements in other parts of the Program, there is a risk that institutional knowledge that is needed to facilitate the successful execution of the Program may be lost. Westpac should therefore work to ensure that the impact of these changes does not dilute the organisation's understanding of the key drivers of the Program – the 'why?' that underpins the need for the broad-based risk uplift. Furthermore, it will be important to avoid opening up the Program to unnecessary change as organisational reforms are introduced. The tendency to 'chop and change', rather than 'stay the course', has been identified as one of Westpac's cultural weaknesses in program execution in the past. Appropriate transition measures such as the involvement of the GE FCC&C in the transfer of institutional knowledge after the transition of the CORE sponsorship role should help mitigate these risks.

4.2. Consistency

The work to be completed by the Program will become less centralised during the Implement and Embed stages. In the past, Westpac has had difficulty in 'staying the course' during these stages of other programs, and indeed this has been recognised as one of the root causes that the Program is designed to address. Westpac's approach to the Program will need to adapt if this weakness is to be successfully overcome.

A consistent approach is crucial as the Program is implemented in the different Divisions. In this context, inconsistency in implementation may emerge as a risk to successful execution. While some tailoring of implementation within the Divisions is inevitable, Westpac must ensure

that any inconsistencies do not result in an uneven ability to realise the intended outcomes of the Program. That is, if the Program is to achieve consistency of outcomes, the culture of Divisional independence within Westpac must be recognised and appropriately managed in overall program execution.

One way to help promote consistency is to ensure that Divisions work to share better practice with each other. Enabling Divisions to leverage the work already done in other parts of the Bank should also help to promote consistency. To promote holistic thinking during the Implement and Embed stages of the Program, a more intense focus on coordination across the LoBs will be needed, especially in relation to the parts of the Program that cross Divisional boundaries. Both the Business Divisions and the central CORE Team have a role to play in helping to mitigate and address any issues of inconsistency in implementation.

4.3. Quality and Timeliness

As the Program is executed in a more decentralised manner, it is vital that the quality of execution is appropriately balanced against timeliness. As Promontory has noted in previous reports, a sense of urgency in Program delivery is vital, but it must be provided in a way that supports sustainable and meaningful change over the longer term.

Westpac will inevitably encounter issues during the Implement and Embed stages that create risks for the timelines set out in the Plan. For instance, it can be necessary to revisit the Design stage when unforeseen issues arise during the Implement and Embed stages. The Program should ensure that these types of issues are properly addressed across the organisation, so that the intended outcomes of the Program can be achieved to a high level of quality.

It is important that Westpac remains cognisant that, because of the complex nature of the changes it is making, it may take some time to realise the outcomes to which it aspires. For example, achieving significant and sustainable uplift in areas such as risk culture often takes an extended period of time. Furthermore, many of the material changes, such as the move to end-to-end value chain risk management, integration of the obligations and risk management, technology and data management, all require new skills and capabilities which take time to develop and mature. Westpac should ensure that areas such as these receive continued attention throughout the uplift process.

Westpac should continue to focus on assessing the quality of execution, particular for those Deliverables in the Implement and Embed stages. Where issues in the Implement stage are identified, Westpac should strive to recognise and address these as soon as possible. At its root, the quality of execution is determined by the extent to which the Deliverable has addressed the relevant shortcomings. In this context, Westpac should use the measures and metrics it has developed to assist in the evaluation of the quality of the execution of the CORE Program.

4.4. Change Fatigue

As noted earlier, Westpac has established significant momentum with the Program, especially during the Design stage. However, as the Program progresses through the Implement and Embed stages, change fatigue is also likely to pose a growing challenge to momentum and motivation. The next stage of the Program will see an extended period of broad-based change being made throughout the organisation, which will be undertaken at the same time as a number of other changes currently in progress at Westpac. Westpac should monitor the ability of the organisation to absorb the planned changes. This can be done by centralising information on the level of change fatigue. Such information may be drawn, for example, from the voice+ tool and Human Resources (HR) dashboards, and reported to the Board and executive.

Another useful method for managing change fatigue is strengthening the emphasis on outcomes in Program-related communications. This includes both communications from the executive team and also increasingly from people leaders at middle management levels. This should allow staff at all levels of the organisation to more easily see the effect that the changes they are being asked to make are having on the way that Westpac operates and more directly on their own work. The Package and Quarterly Business Review processes should also continue to be used as a mechanism for managing the level of change the Divisions are being asked to implement over a set period of time, in line with the ability of the organisation to absorb it.

4.5. Sustainability

During the Reporting Period, Westpac made good progress in ensuring that the uplifts that are being realised in relation to its culture, governance and accountability processes are sustained beyond the life of the Program. In particular, we observed an increase in the level of attention given by those executing the Program on making sure that the changes being made will 'stand the test of time'.

It is pleasing to see that thought is being given to how best to sustain the outcomes of the Program now, rather than this work being left to a later stage. Nonetheless, there is still much work that must be done in order to ensure that the positive impacts of changes do not fade after activities under the Program are delivered.

Sustainability is therefore a key focus area that Westpac should continue to work on in the coming reporting period. In particular, it is important Westpac ensures that:

- sustainability practices are as simple as possible, as overly complex processes are less likely to continue to be performed after the Program ends;
- there is cohesion between sustainability practices, and that they complement each other in sustaining the outcomes achieved;

- in setting up sustainability practices the Program works to ensure that those processes are as automated as possible;
- sustainability practices are supported by controls to help make sure that, if changed, they are changed in a considered way; and
- efforts to ensure sustainability are accompanied by a shift in cultural practices that reinforces the sustainability practices that are being put in place.

4.6. Governance

In a program of this breadth and complexity it is important to test the ongoing effectiveness of governance structures and operations. It is notable that Westpac has continued to modify various aspects of governance as the Program has progressed, including Board level interaction through Director Touchpoints.

In a large Program with multiple governance bodies there is a risk of both overlaps and gaps in coverage. During the Reporting Period we observed some overlap in focus and discussion at several governance forums. For example, similar content on outcome measures and sustainability was discussed at multiple forums. Although the purpose of this repetition may be to reinforce key messages and to collect the views of different stakeholder on common topics, it may also indicate that there are inefficiencies in the current governance forum structure.

As the Program moves further into the Implement and Embed stages, Westpac should, possibly through its next Six-Monthly Review, revisit governance forum structures and confirm they are set up in the best possible way to support the next stage of the Program. In doing so Westpac should ensure that remit of each forum is clear, and that potential for gaps and overlap is minimised.

4.7. Status Reporting

Promontory has consistently emphasised the importance for Westpac of accurate, transparent and consistent Program status reporting.

During the Reporting Period we observed an improvement in the reporting and challenge of the RAG status of the Program, including at Board level. This included a detailed discussion of the Program's RAG status at the BRiskC level. Nonetheless, there remains room for improvement in:

- clarifying how the RAG status at the Workstream, Divisional and Program level interact with each other – there is some complexity in comparing RAG status across these different levels that may hinder understanding; and

- the level of consideration given at some governance forums to how risks and issues that drive the RAG status are being addressed.

Westpac should consider refining the various levels of RAG status reporting to ensure they are consistent. For instance, although Workstream and Divisional reporting are not always related, it is possible that the status at the Workstream level may drive the status at the Divisional level. Westpac should give further thought to how best to make this interaction clear, and ensure that there's consistency and traceability in RAG status.

We have also observed opportunities for increased challenge and discussion on go-to-green plans during governance forums where the RAG status is discussed. Furthermore, there is also scope for greater discussion and challenge around those parts of the Program that are rated as green to ensure these are accurate assessments. In order to facilitate this discussion, sufficient time must be allocated to the challenge of the RAG status in governance forums.

During the Reporting Period, resourcing emerged as a concern in the RAG status of several Workstreams and Divisions. Westpac is currently working to execute plans to address the resourcing risks identified by these Workstreams and Divisions. It is important that, as part of these go-to-green plans, senior leaders reinforce the message that the successful execution of the CORE Program is non-negotiable, and that this is recognised at all levels of the organisation.

4.8. Outcome Measures

As Westpac moves further into the Implement and Embed stages, sustained improvements in the culture, governance and accountability outcomes being delivered across the Bank should become more apparent. The outcome measures will therefore be critically important in assessing whether the intended aims of the Program are being achieved. Movements in these measures will help gauge the progress being made by the Program and reveal any areas of differential performance. They should also act to give stakeholders confidence about whether Westpac is addressing the root causes of its shortcomings, which is the 'why?' of the Program.

Westpac has completed a significant amount of work in developing the outcome measures and, as discussed in section 3.7.3, it is now in the process of operationalising them. While the time taken to develop the measures means that a full cycle of reporting is not yet available, Westpac should resist the urge to unnecessarily tinker with the measures over the short term. Instead, there should be a focus on automating the measures and developing commentary around movements in the data.

Westpac should also begin communicating movements in the outcome measures as soon as practicable, both within the organisation and to external stakeholders in order to demonstrate the progress that is being made. In doing so it is important that Westpac balances a focus on the data with a broader qualitative view of its progress in achieving the intended outcomes of the Program. These communications should also emphasise the complementarity between

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the Program's aims, the Group's strategy and the benefits for the Bank's customers and other stakeholders.

As part of the upcoming Six-Monthly Review Process, Westpac will develop FY23 Group-level objectives for the outcome measures. In setting these objectives, Westpac should reflect the ambitious targets it has already set itself in relation to what it is aiming to have achieved at the completion of the Program. Setting ambitious objectives is likely to mean that there will be a decline in the health of some of measures, but this is to be expected given the current stage of the Program. Indeed, it will give a more transparent accounting of the work Westpac is yet to complete. Ambitious, but achievable, objectives should also aid Westpac in identifying areas of the Program that require additional attention to successfully deliver on its objectives and improve the chances of outcomes being sustained.

5. Workstream Assessment and Progress

5.1. Introduction

During the Reporting Period, Promontory completed its assessment of 29 Activities (14 Design Activities and 15 Implement Activities), all of which were assessed as complete and effective. A further 37 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.

Table 5.1 provides a list of the Activities that were assessed as complete and effective during the Reporting Period, and the balance of Chapter 5 provides summaries of our assessment of these Activities.

Table 5.1: Overview of Activities Assessed as Complete and Effective by Promontory during the Reporting Period

# ⁶	Theme	Workstream	Activity	Phase	Activity Sign-Off Date
1	Board Governance	WS1	1.1.1	Design	18 March 2022
2			1.4.2	Implement	18 March 2022
3			1.9.2	Implement	18 March 2022
4	Culture and Capability	WS2	2.2.2	Implement	17 March 2022
5			2.4.2	Implement	8 March 2022
6			2.5.1	Design	24 March 2022
7		WS3	3.1.4	Implement	12 January 2022
8			3.4.4	Implement	28 January 2022
9		WS4	4.1.2	Implement	10 March 2022
10			4.1.3	Implement	11 March 2022
11			4.3.5	Implement	11 March 2022
12		WS6	6.1.1	Design	3 March 2022
13			6.2.3	Implement	3 March 2022

⁶ The numbers in this column have been assigned to each Closure Pack by Promontory for tracking purposes.

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# ⁶	Theme	Workstream	Activity	Phase	Activity Sign-Off Date	
14	Culture and Capability	WS6	6.3.2	Design	1 February 2022	
15			6.7.2	Implement	4 March 2022	
16	Transformation Capability & Delivery	WS7	7.1.2	Design	4 February 2022	
17	Risk & Compliance Management	WS8	8.4.1	Design	3 February 2022	
18		WS9	9.2.1	Implement	16 February 2022	
19		WS10	10.1.1	Design	28 March 2022	
20			10.2.3	Implement	23 February 2022	
21			10.4.8	Design	4 February 2022	
22			10.5.1	Design	1 March 2022	
23		WS12	12.3.1	Design	24 January 2022	
24			12.4.2	Implement	2 March 2022	
25		Conduct	WS13	13.2.1	Design	11 March 2022
26		Technology & Data risk	WS15	15.1.1	Design	1 March 2022
27	15.2.2			Implement	11 February 2022	
28	15.3.1			Design	7 January 2022	
29	15.4.1			Design	7 January 2022	

5.2. Board Governance Theme Progress

During the Reporting Period Promontory assessed three Board Governance Theme Activities as complete and effective. Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 12 of the 30 Board Governance Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac submitted the Closure Pack for one Board Governance 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, 16 Activities for this Theme had not yet been 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

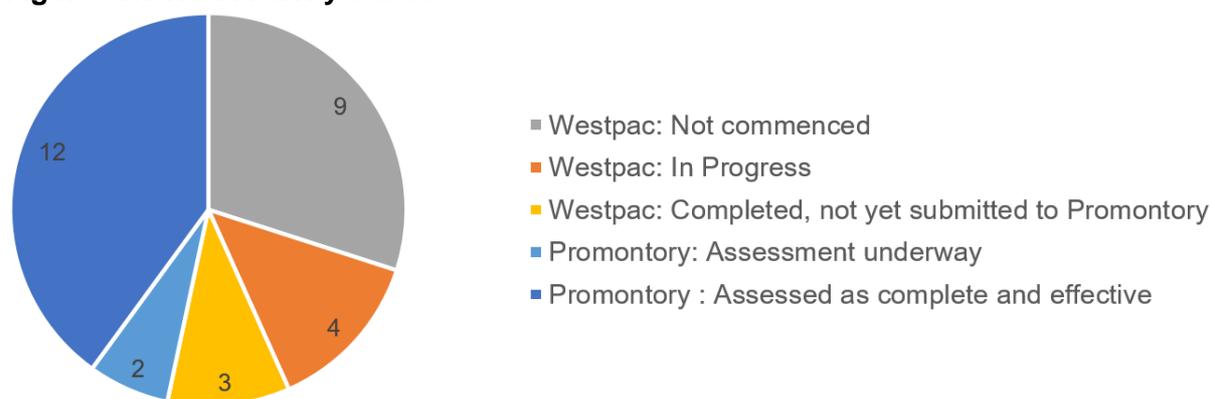


Table 5.2: WS1 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
1.1	Board direction on strategy and enterprise investment prioritisation	1	3
1.2	Board risk reporting	1	3
1.3	Board direction on Risk Appetite	1	3
1.4	Board direction on risk culture	2	4
1.5	Board direction on risk training	1	3
1.6	Board direction on consequences	2	5
1.7	Oversight of Advisory Panel Observations	2	3
1.8	Review of BRiskC and Board Legal, Regulatory and Compliance Committee (BLRCC) implementation	0	3
1.9	Review capacity and capability in the Three Lines of Defence (3LoD)	2	3
Total		12	30

Assessment of Deliverable 1.1

Deliverable 1.1 requires the Board to provide continued oversight of strategy and enterprise investment prioritisation, with relevant input from Board Committees and senior management (as appropriate).

Activity 1.1.1

Design Activity 1.1.1 requires the Board to review the Group's target-state Enterprise Investment Prioritisation Process, including strategic, financial, risk and regulatory considerations.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the Board's review of the Enterprise Investment Prioritisation Process and their feedback on areas for improvement, if any, to be incorporated in the design of the process, including the format of reporting and submissions to be provided to the Board.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and discussions we conducted, we concluded that Westpac had taken appropriate steps for the Board to review the Group's target-state Enterprise Investment Prioritisation Process and provided feedback to management where areas of improvement were identified.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 1.1, we will require evidence of material presented to the Board on investment prioritisation and how it aligns with the Board's strategy and the Group Risk Appetite Statement (**RAS**).

Assessment of Deliverable 1.4

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

Activity 1.4.2

Implement Activity 1.4.2 requires the BRiskC, BLRCC and Board (as appropriate) to oversee management's implementation of the Group's Risk Culture program in the Divisions. This Activity also requires the BRiskC to oversee the annual review of the Risk Culture Framework and provide approval, including for proposed improvements.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the Board's challenge of management around the implementation of the Risk Culture Framework and its alignment with the Group's Purpose, Values and Behaviours (**PVB**) and relevant key Group policies. Promontory also requested details of the Board's feedback on the Risk Culture Dashboard and Divisional Risk Culture Action Plans.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and discussions we conducted, we concluded that Westpac had demonstrated appropriate oversight by the Board of Westpac's Risk Culture Program in line with the Board

and BRiskC charters to operate consistently with the Group's Risk Management Framework (RMF) and the Group RAS.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 1.4, we will require evidence of the Board's role in its continuing oversight of Westpac's risk culture, taking into consideration any relevant regulatory reviews.

Assessment of Deliverable 1.9

Deliverable 1.9 requires the Board Audit Committee (BAC) to review the completion of hiring for Third Line roles and progress of the implementation of the Third Line capability plan.

Activity 1.9.2

Implement Activity 1.9.2 requires the BAC to oversee the completion of hiring, or alternative means of meeting capacity requirements, for Third Line roles and to oversee the implementation of the Third Line capability plan.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the BAC's test and challenge of management around the retention and attraction practices for key Group Audit talent, and the level of oversight by the BAC when external co-sources and specialised capabilities are engaged.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and discussions we conducted, we concluded that the BAC had demonstrated appropriate oversight of the hiring of Third Line roles through reporting provided by Group Audit and regular discussions between Group Audit and the Chair of the BAC.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 1.9, we will require evidence of how the BAC will continue its ongoing oversight of capacity and capability in the Third Line.

5.3. Culture and Capability Theme Progress

During the Reporting Period Promontory assessed 12 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 61 of the 113 Culture and Capability Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac submitted the Closure Pack for eight Culture and Capability Theme Activities to Promontory. As at the Reporting Date Promontory was in the process of assessing 10 Activities for this Theme.

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

5.3.1. 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

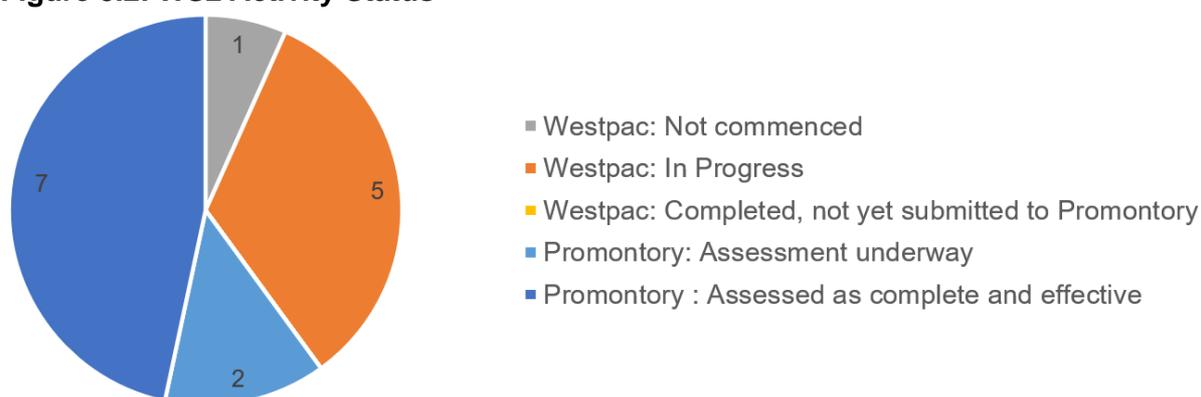


Table 5.3: WS2 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
2.1	Executive leadership culture and practices	1	3
2.2	Performance Management and Recognition Platforms	2	3
2.3	Culture measurement	1	3
2.4	Executive capabilities	2	3
2.5	Strengthening application of the Motivate framework to actively manage under performance and developing leadership skills on performance management (GM & GM1 as required)	1	3
Total		7	15

Assessment of Deliverable 2.2

Deliverable 2.2 requires the alignment of the Performance Management and Recognition Platforms, Motivate and GEM, to support the new Westpac PVB and risk culture.

Activity 2.2.2

Implement Activity 2.2.2 requires the implementation of changes to Motivate and GEM platforms and the update of materials to support employees and leaders (including change management and communications). It also requires that updated platforms are utilised by employees and leaders.

Westpac implemented enhancements to Motivate to align the platform with the PVB and desired risk culture. This included changes to give visibility to the PVB by including these in performance discussions, enhanced reporting for HR purposes, establishment of risk goals, and integration in Statements of Accountability (**SoAs**). This was supported by Group-wide announcements and materials explaining and guiding the enhanced process.

The recognition platform, GEM, was updated with the new PVB to be used as the recognition criteria for both 'Everyday GEMs' and 'Award Nominations'. This was also promoted by Group-wide communications including campaigns focused on embedding PVB and risk culture.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding interdependencies and enhancements to the Motivate platform.

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 changes to Motivate and GEM, and that associated material has been updated to support employees and leaders.

Assessment of Deliverable 2.4

Deliverable 2.4 requires the Executive Leadership Capability Framework to be updated, to support the new PVB and align with the capabilities to Executive Leader accountabilities.

Activity 2.4.2

Implement Activity 2.4.2 requires implementation of the updated Executive Leadership Capability Framework, and to identify further improvement areas in the Framework (if required).

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding usage of this Framework to illustrate its efficacy, including any measuring tools, and related HR processes and policies.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and discussions we conducted, we concluded that there is data collected from

various channels to assess usage, and that the Framework has been incorporated into Westpac's HR practices, including its recruitment processes.

Assessment of Deliverable 2.5

Deliverable 2.5 requires the strengthening of the Performance Management Framework to better manage underperformance.

Activity 2.5.1

Design Activity 2.5.1 requires strengthening of reporting capability and utilisation of data collected through the Performance Management Framework to provide development offerings for leaders to better manage underperformance.

After reviewing the Closure Pack for this Activity and attending a meeting with relevant Westpac personnel, Promontory determined that there was a clear and consistent approach to strengthen existing reporting capability within Motivate so that all leaders can be identified and supported to actively manage underperformance within their direct and indirect teams.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had taken appropriate steps to develop design principles to guide the solution for this Deliverable through using existing data to improve support to leaders to better manage 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 24 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Green.

Figure 5.3: WS3 Activity Status

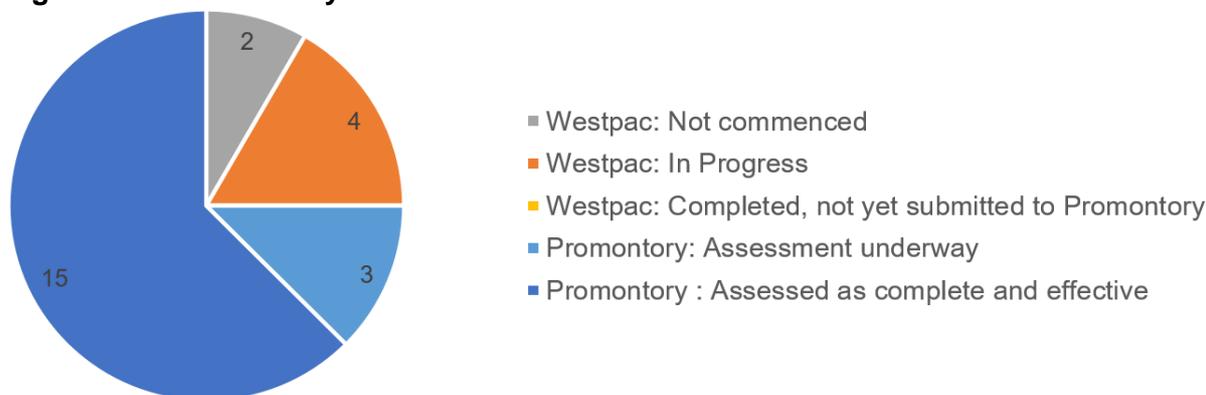


Table 5.4: WS3 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
3.1	Risk Culture Framework	4	5
3.2	Risk Culture Dashboard	2	5
3.3	Risk Culture Maturity Self-Assessment	5	8
3.4	Risk Culture Insights Program	4	6
Total		15	24

Assessment of Deliverable 3.1

Deliverable 3.1 requires the establishment of a Risk Culture Framework including definition of desired risk culture, roles and responsibilities for risk culture across the 3LoD, endorsed by the Group RiskCo and BRiskC.

Activity 3.1.4

Implement Activity 3.1.4 requires Westpac to undertake an annual review of the Risk Culture Framework in line with policy requirements including the identification of potential improvement opportunities and associated action plans as relevant. It also requires the provision of reporting to the BRiskC, BLRCC and/or Board as appropriate on the outcomes of the review.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the Risk Class Framework template that had been referenced as a source of alignment and consistency for various risk framework documents.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that Westpac had taken appropriate steps to complete the annual

review of the Risk Culture Framework, with some areas for improvement identified and reported to the BRiskC for noting.

Assessment of Deliverable 3.4

Deliverable 3.4 requires the establishment of a Risk Culture Insights Program (**RCIP**) and independent deep-dives across the Group and Divisions to identify key risk culture strengths and areas for improvement.

Activity 3.4.4

Implement Activity 3.4.4 requires the Risk Culture Team to confirm ongoing program frequency, develop Group-wide thematic insights, and provide distribution to relevant stakeholders and governance bodies. Further, Divisions are to continue to deliver recommendations and create new initiatives as required, and DCROs are to conduct ad hoc reviews of Divisional RiskCo reporting for continued monitoring and assessment of the effectiveness of initiatives.

Group-wide thematic insights were established through the collection and analysis of insights from the Risk Culture Team's activities, the compilation of Division-based insights by the RCIP and the production of the Risk Culture Thematic Report for distribution to RiskCo. The forward plan for the operating rhythm of the RCIP was developed by the Risk Culture team and will be subject to annual review.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding governance arrangements for the RCIP forward plan review, procedures for DCRO review, and intended frequency and monitoring of responses to the Risk Team Group-wide Divisional action plan review.

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 establish an operating rhythm for the RCIP, Group-wide thematic insights had been compiled and distributed to relevant stakeholders, Divisions have been addressing recommendations based on risk culture insights, and DCROs have conducted reviews of Divisional RISKCO reporting.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 3.4, we will consider the revised RCIP forward plan, examples of how DCRO reviews have assisted in developing and enhancing the approach to managing risk culture, and updated evidence of Risk Team tracking of Divisional responses to feedback from the Risk team or DCRO review.

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

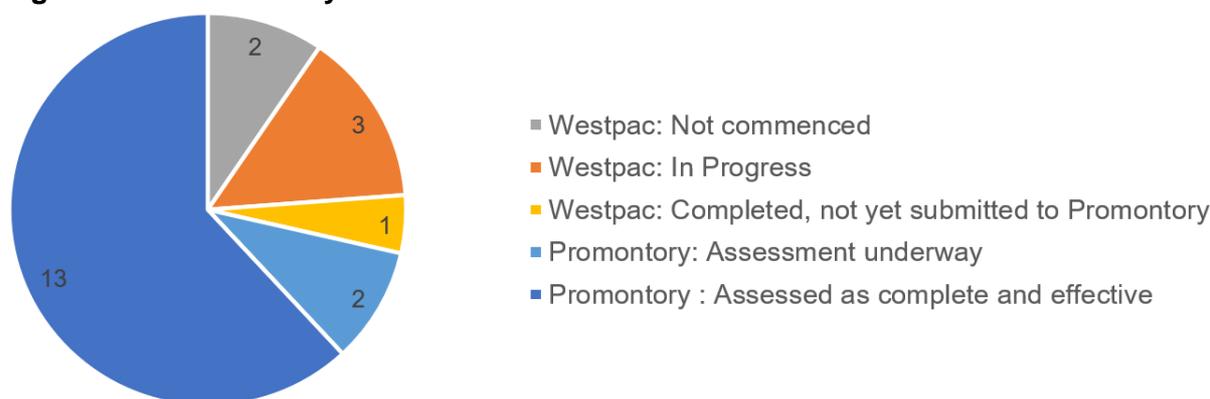


Table 5.5: WS4 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
4.1	Organisation Design Principles	3	5
4.2	3LoD model in the First Line	5	7
4.3	Roles, responsibilities, and delegations	4	6

#	Deliverable	Complete and Effective Activities	Total Activities
4.4	Making decisions and engaging across roles	1	3
Total		13	21

Assessment of Deliverable 4.1

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

Activity 4.1.2

Implement Activity 4.1.2 requires the implementation of LoB model into Divisions in line with organisational and LoB model design principles within established guardrails.

Westpac completed a LoB transformation and implementation process which required completion and evidencing of the following stages:

- LoB Model Design Principles established to inform LoB designs.
- LoB designs approved by Steering Committee for implementation.
- LoB implemented commenced with the appointed GM1 level leaders.
- Role cards used in developing SoAs for GM and GM1 level roles.
- Chapter Model, including establishing the Chapter Playbook and the first set of Chapters to enable LoB.

The design and implementation of the LoB were guided by LoB Design Principles aimed to address end-to-end accountability and simplification.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the LoB Steering Committee, the use of role cards to develop SoAs, Chapter model development processes and Chapter performance monitoring and responsibilities.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that LoB design has been completed for a number of Divisions, and design changes have been implemented to GM1 level.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 4.1, we will consider the outcomes and consideration of planned half-yearly reviews of the effectiveness of the Chapter model.

Activity 4.1.3

Implement Activity 4.1.3 requires the review of the implementation of the design principles for Business Controls and Monitoring (**BCM**) teams (including role-type job architecture) and their interface into the LoB and Second Line.

Westpac commissioned Deloitte to conduct a health check of the 3LoD implementation. This engagement involved interviews across the 3LoD, review of documents including the 3LoD Model Standard, Risk Management Strategy, various relevant Frameworks, the Integrated Plan and relevant Closure Packs, and analysis of case studies. The review concluded with recommendations to address gaps or misalignments, all of which Westpac has committed to implementing.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the particulars of a recommendation in relation to oversight mechanisms, the intended embedding of accountability through execution of risk practices, and clarification of the First Line end state.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that a review of BCM functions had been completed, an assessment of gaps and misalignments performed, and identified gaps have been resolved or a plan made for their resolution.

Assessment of Deliverable 4.3

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

Activity 4.3.5

Implement Activity 4.3.5 requires application of the tools to help demonstrate accountability in behaviours, including:

- inserting accountability into programs and initiatives in partnership with Group Learning and Development (**L&D**); and
- adjusting templates such as project documentation, investment proposals and Board papers to enhance accountability.

Westpac first completed an analysis to define and set the scope of the Activity. This involved identifying target templates and establishing definitions for templates and channels. A gap analysis was conducted, the results shared with stakeholder, and changes agreed. This was followed by communication about the changes being made to the business.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the L&D design standards, clarification in relation to the Executive

Leadership Capability Framework, and resolution of past items identified for follow-up by Promontory.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that tools have been implemented to ensure accountability is prominent in behaviours, awareness programs and initiatives have been rolled out in partnership with Group L&D, and appropriate references to accountability have been inserted into relevant templates.

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

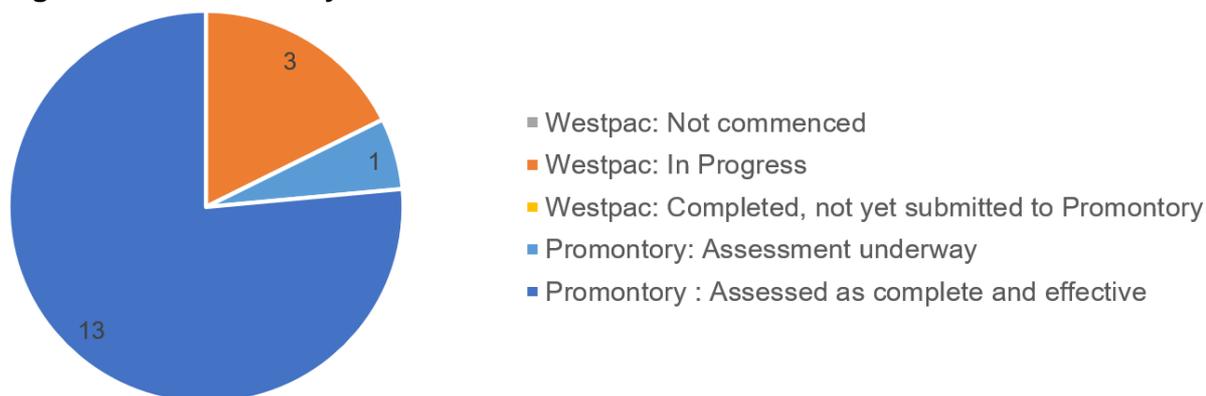


Table 5.6: WS5 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
5.1	Risk adjustment process	4	6
5.2	Risk Gate and Risk Adjustment Criteria	6	7

#	Deliverable	Complete and Effective Activities	Total Activities
5.3	Remuneration Framework and Policy	3	4
Total		13	17

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

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

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

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

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

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

Figure 5.6: WS6 Activity Status

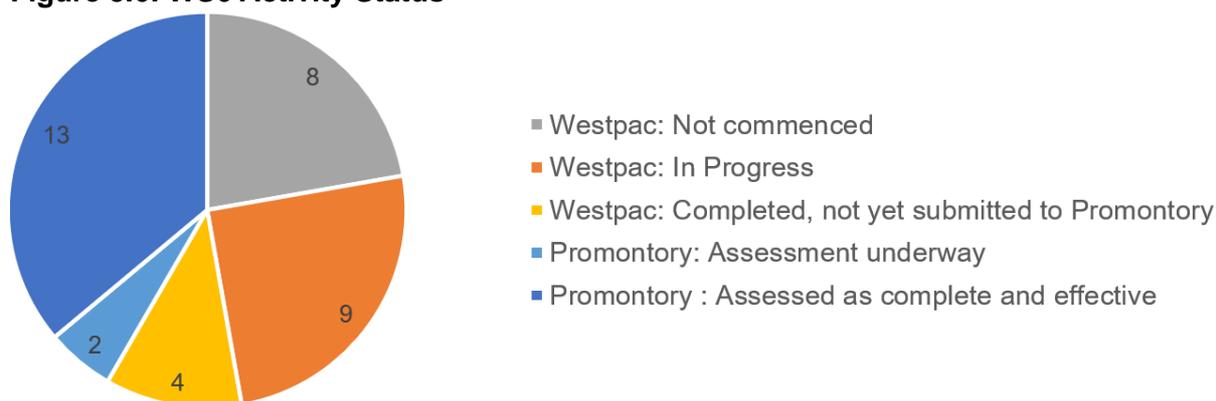


Table 5.7: WS6 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
6.1	Organisational structure in the Second Line	2	6
6.2	Risk capacity across the 3LoD	2	5

#	Deliverable	Complete and Effective Activities	Total Activities
6.3	Risk capability in the Second Line	2	4
6.4	Risk capability in the First Line	2	6
6.5	Risk capability assessment	0	3
6.6	Risk Fundamentals	2	4
6.7	Risk Knowledge Management Chatbot ('Risk Assist')	2	5
6.8	Risk reporting tools and capabilities	1	3
Total		13	36

Assessment of Deliverable 6.1

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

Activity 6.1.1

Design Activity 6.1.1 requires the Second Line to determine an operating model to support organisational LoB and Divisional constructs.

In determining the operating model, Westpac (i) aligned this operating model to the Group operating model; (ii) defined the rules of engagement and interaction model; (iii) introduced 'ways of working'; (iv) aligned this operating model with the 3LoD standard; (v) made changes to support group organisational constructs; and (vi) sought executive feedback and approval.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the list of activities proposed for transfer between First and Second Line in Westpac’s work to align the operating model with the 3LoD standard. Promontory also requested information on the Group Chapter 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 to determine an operating model to support organisational LoB and Divisional constructs.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 6.1, we will consider further actions taken to develop the Group Chapter Playbook and any changes to the ownership and governance of the Second Line operating model as a result of the organisational restructure.

Assessment of Deliverable 6.2

Deliverable 6.2 requires Westpac to assess the adequacy of the risk resource capacity across the 3LoD.

Activity 6.2.3

Implement Activity 6.2.3 requires Westpac to complete hiring for Second Line specialist risk roles (for FY20 and FY21), as identified in the operating model.

Westpac increased the capacity of the Second Line through recruitment in FY20 and FY21. Progress on the increase in capacity was reported to the GE RiskCo.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the increased capacity of Westpac's Second Line Risk, including how this aligned with the Second Line Risk operating model and the LoB operating model, and the governance and approval process for extending the capacity in FY21. Further areas of inquiry related to whether Westpac assessed the effectiveness of the additional Second Line risk roles and whether Westpac had completed activities that had been identified as a rationale for the increase to its Second Line Risk resourcing in FY20 and FY21.

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 complete the hiring for Second Line specialist risk roles in FY20 and FY21.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverables 6.2 and 6.5, we will consider the effectiveness and sustainability of changes to better assess Westpac's capacity and capability to manage risk.

Assessment of Deliverable 6.3

Deliverable 6.3 requires establishing risk capability in the Second Line.

Activity 6.3.2

Design Activity 6.3.2 requires the design of additional training for the risk training curriculum, based on the updated Risk Capability Framework with the addition of the Credit Risk Curriculum.

The approved FY21 risk training curriculum included new training and updated capability alignment to the credit risk curriculum topics, which focused on five specific programs to be designed throughout FY21. These five programs are courageous conversations, virtual presentation skills, building resilience to workplace stress, data and analytics and the credit risk curriculum. The design process involved consultations with internal stakeholders to understand the needs and capability gaps in the Second Line and team engagement through pilot sessions.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the training packs used for the five programs to understand the content covered for the training. Each extract included content that is covered for the topic and the outcomes to be achieved at the training session.

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 training that supports the establishment of risk capability in the Second Line.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 6.3, we will consider how successful the roll-out of the training curriculum is in the implementation phase.

Assessment of Deliverable 6.7

Deliverable 6.7 requires designing and embedding across the 3LoD a consistent way of disseminating and accessing risk management policy and guidance information via a chatbot, 'Risk Assist.'

Activity 6.7.2

Design Activity 6.7.2 requires the launching of Risk Assist content as defined in the Roadmap for FY21, and in accordance with the Business Operating Model.

The Business Operating Model is intended to support the Business Team (policy owners and subject matter experts), Risk Capability Team and the Virtual Assistant Team in the operationalisation of Risk Assist and contains information such as the operating framework, roles and responsibilities, operating rhythm and high-level processes that make the content in Risk Assist useful to operational staff. As part of this Activity, regular daily and weekly meetings were held to enable the successful delivery of content and management of Risk Assist. The planned Risk Assist communications activities were carried out, with FY21 content being rolled out through existing Group and Divisional BAU communication channels.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding how Risk Assist operated in practice. We were particularly interested in how Risk Assist responded to questions and the range of responses it had in its knowledge base.

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

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 6.7, we will monitor how Risk Assist further develops to expand its content. As part of the sustainability of Deliverable 6.7, Promontory will also be looking for evidence of the reassignment of the ownership of the Risk Assist Business Operating Model give the departure of the existing owner.

5.4. Transformation Capability & Delivery Theme Progress

During the Reporting Period Promontory assessed one Transformation Capability & Delivery Theme Activity as complete and effective. Taking into account Activities assessed as complete

and effective in previous Reporting Periods, as at the Reporting Date, a total of 16 of the 31 Transformation Capability & Delivery Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac did not submit any Closure Packs for Transformation Capability & Delivery Theme Activities to Promontory. As at the Reporting Date Promontory was in the process of assessing two Activities for this Theme.

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

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

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

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

This Workstream has seven Deliverables consisting of 31 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Red. The main driver of the Red status is the relationship between Deliverable 7 and the Group Capability Framework and an associate adjustment in approach.

Figure 5.7: WS7 Activity Status

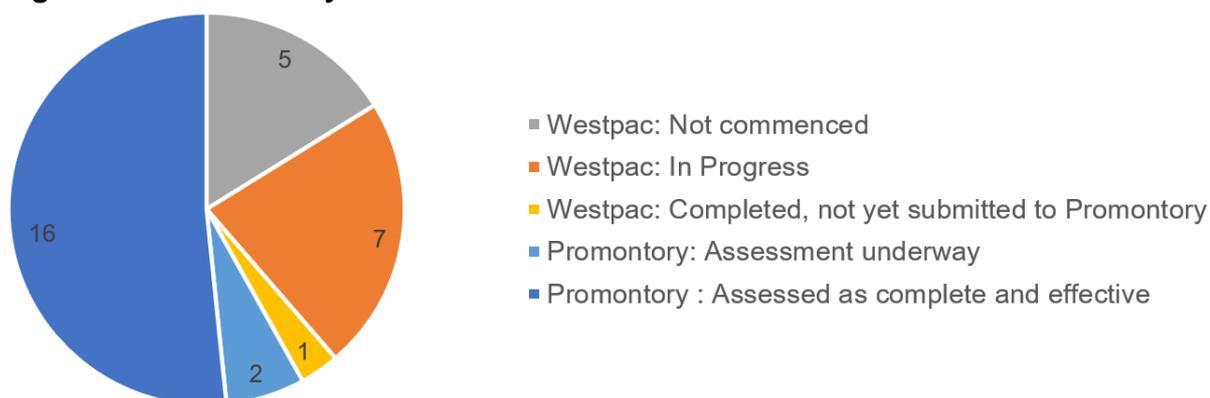


Table 5.8: WS7 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
7.1	Enterprise investment prioritisation reporting and submissions	2	4

#	Deliverable	Complete and Effective Activities	Total Activities
7.2	Enterprise change oversight (incl. committees and Line 2 role)	1	3
7.3	Transformation governance and delivery standards	1	3
7.4	Transformation capability	1	3
7.5	Risk in Change accountabilities and training	3	5
7.6	Risk in Change practices	4	6
7.7	Risk in Change reporting	4	7
Total		16	31

Assessment of Deliverable 7.1

Deliverable 7.1 requires enhancement of the information provided to the Board, Board Committees and 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 portfolio; and
- the investment prioritisation framework adopted, including key investment and risk prioritisation decisions made together with declined investment requests (and the implications of declining investment requests, including the associated risk and compliance implications from not proceeding with declined investment requests and the mitigating actions implemented by management necessary to address residual risk).

Activity 7.1.2

Design Activity 7.1.2 requires definition of the Group's target-state enterprise investment prioritisation process, including strategic, financial, risk and regulatory considerations.

Westpac generated and socialised a set of guiding principles which were applied to the design components of the Enterprise Investment Prioritisation Process. Critical design elements were articulated, as were any considerations in design such as input from third-parties (external consultants), taking an agnostic approach to delivery methodology and seeking challenge from BCM.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding examples of application of guiding principles, further context on external consultant input, further detail on simplification in the 'simplified transformation framework', and further details on the socialisation process.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that the Group's target state enterprise investment prioritisation process has been defined.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 7.1, we will seek a walkthrough of the Enterprise Investment Prioritisation Process to understand resolution of cross-function contention, and an opportunity to observe a Division marketplace where contentions within a Division are resolved.

5.5. Risk & Compliance Management Theme Progress

During the Reporting Period Promontory assessed eight Risk & 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 39 of the 99 Risk & Compliance Management Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac submitted the Closure Pack for eight Risk & Compliance Management Theme Activities to Promontory. As at the Reporting Date Promontory was in the process of assessing 11 Activities for this Theme.

At the Reporting Date, 49 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 risk management framework. The objective of WS8 as set out in the Integrated Plan is that:

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

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

Figure 5.8: WS8 Activity Status

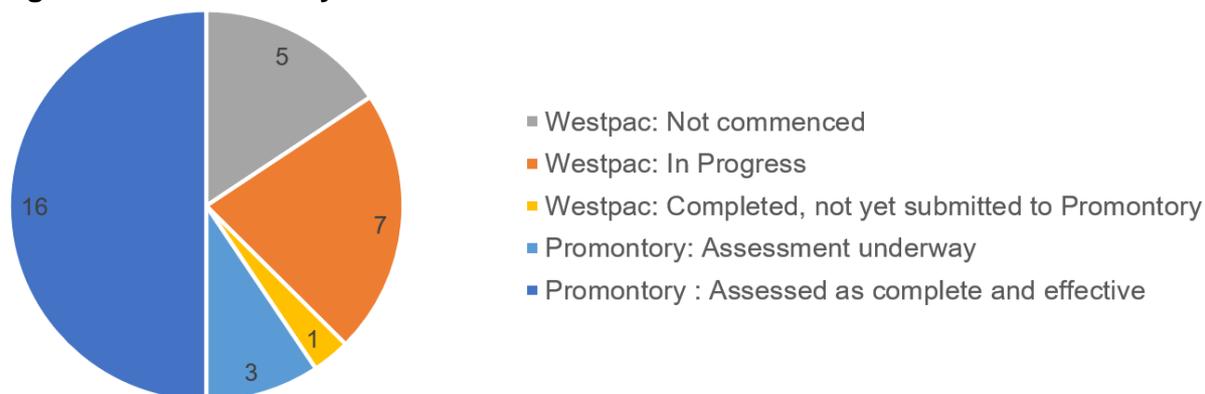


Table 5.9: WS8 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
8.1	Risk Management Frameworks and 3LoD	5	7
8.2	Group and Divisional RAS	3	5
8.3	Risk Policy management	3	5
8.4	Reputation Risk and Sustainability Risk	1	3
8.5	Emerging Risks	1	3
8.6	Risk Committees	1	3
8.7	ERM Dashboard	2	3
8.8	Prudential Governance Framework	0	3
Total		16	32

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, polices and processes.

Activity 8.4.1

Design Activity 8.4.1 requires the identification of key frameworks, policies, processes and controls where reputation and sustainability risk management should be incorporated.

The workstream leveraged the work completed by Customer and Corporate Relations who originally owned the Sustainability RMF and Reputation RMF, the Reputation and Sustainability Risk team, and related Group Audit findings to develop an initial extensive list of frameworks, policies and procedures. To refine this list, the workstream undertook a review of best practices through an engagement with and external consultant, and subsequently

engaged with subject matter experts and representatives across the Group who would be impacted by artefact changes.

A set of criteria to refine the list of artefacts was developed by the stakeholders and approved by the Risk Class Owner, Group Head of Risk Culture & ESG. Following the application of the design principles and criteria, a list of 21 artefacts was agreed and approved by the Risk Class Owner. The final list includes coverage of key risk policies for financial and operational risks, stress testing, the Group RAS, Change Execution Lifecycle Framework and Product and Services Lifecycle Manual.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had taken appropriate steps to identify a set of key frameworks, policies, processes and controls where reputation and sustainability risk management should be incorporated.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 8.4, we will consider and assess progress by the relevant artefact owners against the documented timelines and responsibilities, alignment to the 3LoD Risk Class Target State Guides, the adequacy of capabilities for identification and management of reputation and sustainability risks and the adequacy of reporting and monitoring reputation and sustainability risks.

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

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

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

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

Figure 5.9: WS9 Activity Status

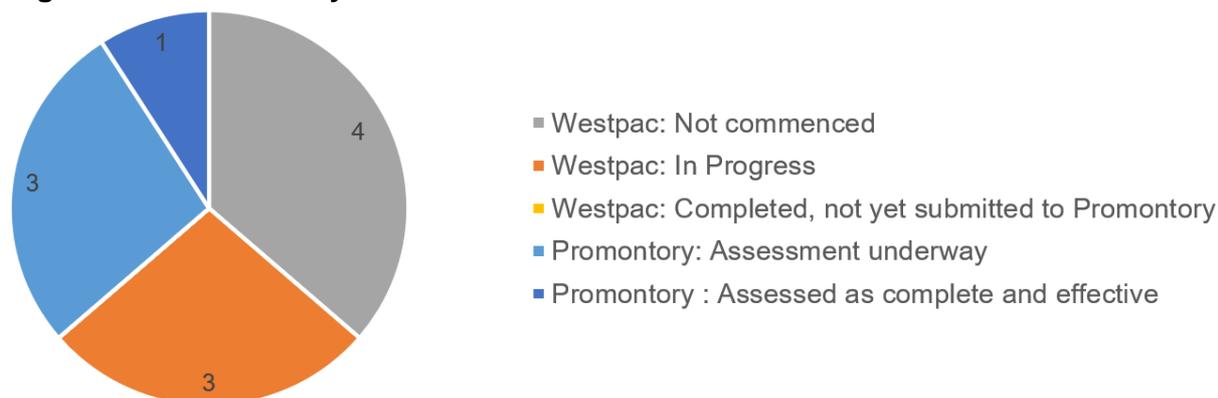


Table 5.10: WS9 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
9.1	NFR infrastructure, analytics, and reports	0	3
9.2	JUNO functionality upgrade	1	4
9.3	JUNO data quality and support model	0	4
Total		1	11

Assessment of Deliverable 9.2

Deliverable 9.2 requires the continual evolution of JUNO functionality (including notifications, workflows, fields and task focused user interface) to support the maturity of risk and compliance practices.

Activity 9.2.1

Design Activity 9.2.1 requires delivery of the JUNO upgrade scheduled in November 2021. The scope of the JUNO upgrade scheduled for November 2021 was confined to technical changes to support version currency and some discrete functionality enhancements to improve the user experience.

The Group's standardised Agile Execution Framework which contained scope, roadmap, risk management guidance, integrated change management and reporting requirements was followed to deliver the JUNO upgrade.

A review and challenge on the Project RCM and Integrated Readiness Checklist (**IRC**) artefacts was provided by Second Line Operational Risk and Technology Risk. They determined the risk and controls in the RCM related to existing risks and were not incremental to the risk profile due to this upgrade.

Project readiness was assessed through Business Readiness meetings, which included the Program Director and Heads of Technology and Operational Risk. The readiness for implementation and ‘Go’ decisions were agreed upon in ‘Go/No-Go’ meetings. An IRC was used to track items which needed to be completed pre-implementation and was regularly communicated to key stakeholders.

The upgrade of JUNO was delivered over two implementation weekends to minimise long outages for JUNO users and warranty support was provided for four weeks following, which helped address issues where users were experiencing slow response times.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had taken appropriate steps to document the functionalities planned for the November 2021 JUNO upgrade and deliver the JUNO upgrade.

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 40 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Amber.

Figure 5.10: WS10 Activity Status

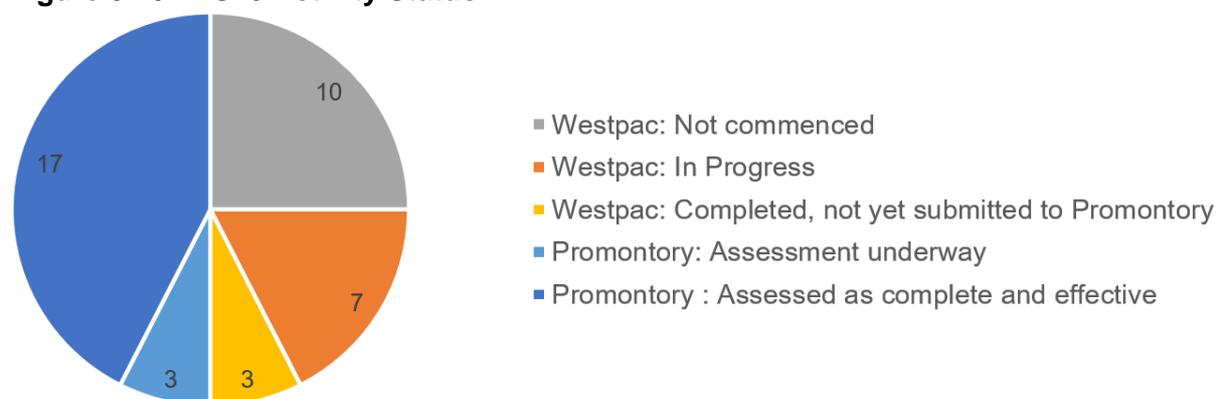


Table 5.11: WS10 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
10.1	Risk assessment and Value Chains	1	7
10.2	Group Controls Library	3	8
10.3	Controls self-assessment	1	3
10.4	Issues management	8	10
10.5	Incident management	1	3
10.6	Root cause analysis	3	6
10.7	Value Chain Maintenance solution	0	3
Total		17	40

Assessment of Deliverable 10.1

Deliverable 10.1 requires value chains to be established in accordance with the Group Value Chain Management Framework, including mapping obligations, risks and controls to the value chains, and subsequent risk assessments. It also requires the strengthening of risk assessment practices such as inherent risk identification and residual risk assessment.

Activity 10.1.1

Design Activity 10.1.1 requires a review of the risk assessment methodology, capturing the revised requirements in the Risk and Control Assessment (**RCA**) Policy and developing a Risk Playbook to guide First and Second Line through the end-to-end risk assessment in the context of value chains and risk profiles.

The RCA Policy and RCA Guidance set out the minimum requirements for the identification and assessment of non-financial risks and management of all key controls across the Westpac Group. Reviews and updates to the RCA Policy and RCA Guidance were performed through two phases. The first phase included initial updates to the RCA Policy and RCA Guidance and the development of the Risk Playbook. The second phase involved uplifting the RCA Policy with the introduction of a new Risk Management Standard and Control Management Standard and uplifting the Risk Management and Control Management chapters of the Risk Playbook.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding information on how value chains were structured and how they operated, the development and maintenance of the risk profiles, the inherent and residual risk assessment methodology, the control assessment and monitoring process, and further excerpts of the Risk Playbook.

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 establish value chains in accordance with the Group Value Chain Management

Framework, including mapping of obligations, risks and controls to the value chains and subsequent risk assessments. Further, risk assessment practices have been documented in the RCA Policy and a Risk Playbook to guide First and Second Line through the end-to-end risk assessment has been developed.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 10.1, we will consider and assess the adequacy of the Risk Assessment Methodology review, evidence that the Risk and Control methodology and relevant policy and framework documentation is appropriately updated to address lessons learned through the implementation phases of Workstream 10, and the effectiveness of tools and processes being developed to ensure sustainability in the review and maintenance of risk and control records.

Assessment of Deliverable 10.2

Deliverable 10.2 requires the design and implementation of the Group Controls Library in JUNO. New controls are created using the new library and common and centralised controls are delivered on a risk-prioritised basis. In support, a Controls Framework is developed to support governance across the Controls Library.

Activity 10.2.3

Design Activity 10.2.3 requires the completion of a pilot for the roll-out of common and centralised controls. The methodology and the associated roles and responsibilities must be defined, and guidance materials produced to support implementation.

A pilot program involving key stakeholders was run to develop principles for common and centralised controls between May and June 2021. Feedback from these sessions was used to develop the Common and Centralised Controls Principles document and update existing policies and supporting documents.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the recommendations provided by an external consultant, the scope of staff involved in training and the launch of supporting documentation.

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 perform the pilot for the roll-out of common and centralised controls, and developed appropriate guidance materials to support implementation.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 10.2, we will consider the implementation of relevant JUNO functionality.

Assessment of Deliverable 10.4 and 10.5

Deliverable 10.4 requires the improvement of issues management practices and outcomes by having a clear understanding of the issues management lifecycle. It also aims to achieve

greater quality, consistency and timeliness in the recording, management, monitoring and resolution of issues.

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 10.4.8 and 10.5.1

Design Activity 10.4.8 requires the review of the current end-to-end issues management process, while Design Activity 10.5.1 requires the review of the current state end-to-end incident management process. Both Activities require identifying opportunities for improvement and updating the relevant policy and related procedures and guidance based on the review findings.

Westpac has updated the Issue and Action Management Policy Incident Management Policy, along with the related guidance materials following recommendations from various sources both internally and externally. As a result, JUNO was updated to better align with the changes and communications and launch activities surrounding the policies and related guidance documents.

Based on our assessment of the Closure Pack, we concluded that Westpac had taken appropriate steps review and update the Issue and Action Management Policy and Incident Management Policy, along with the related procedures and guidance documents.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 10.4, we will consider the appropriateness of the reporting available to the executives on Issues, the degree of challenge of the reporting by the Board and executives, and the progress with, and process for, managing and monitoring high and medium rated issues.

5.5.4. Workstream 11 – Assurance (WS11)

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

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

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

Figure 5.11: WS11 Activity Status

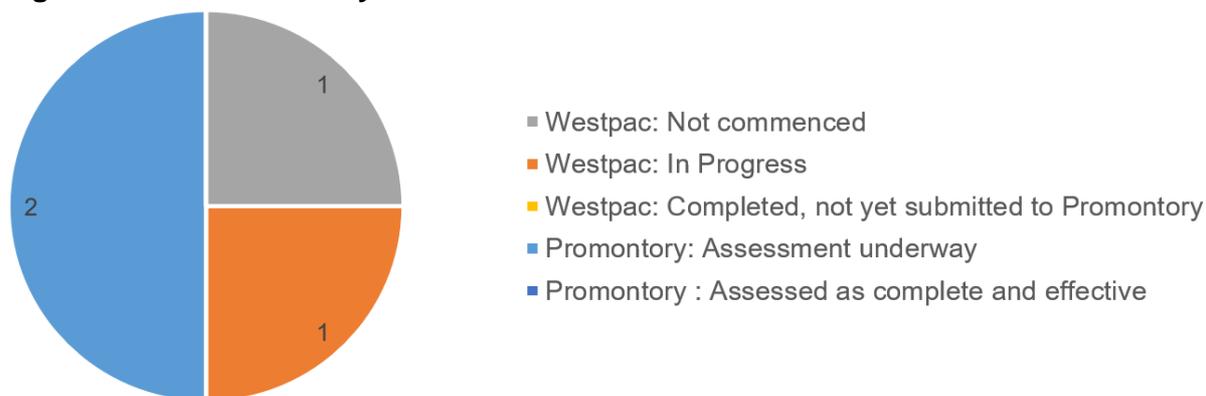


Table 5.12: WS11 Deliverable Progress

#	Deliverable	Complete and Effective Activities	Total Activities
11.1	Assurance	0	4
Total		0	4

5.5.5. Workstream 12 – Compliance Management (WS12)

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

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

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

Figure 5.12: WS12 Activity Status

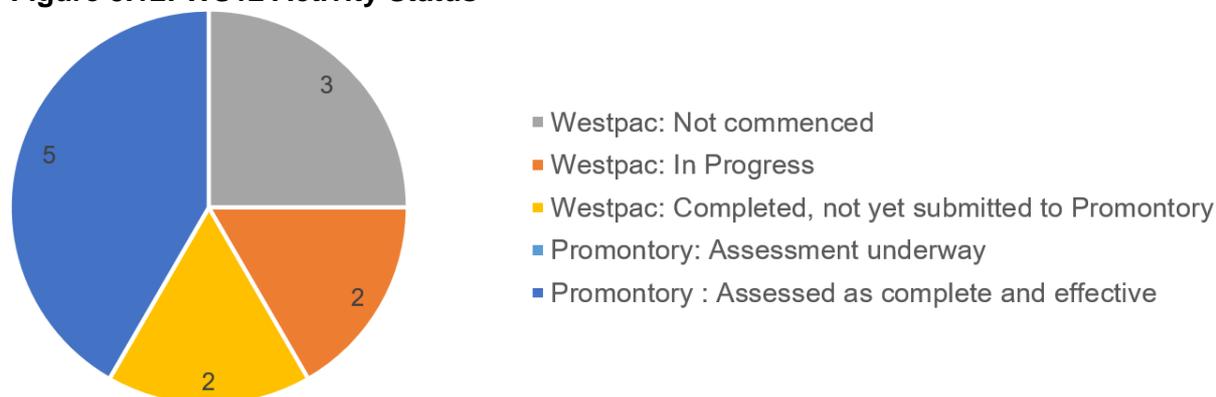


Table 5.13: WS12 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
12.1	Compliance Obligations management	1	3
12.2	Breach reporting	1	3
12.3	Regulatory commitments	1	3
12.4	Managing regulatory developments	2	3
Total		5	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 regulatory commitments.

Activity 12.3.1

Design Activity 12.3.1 requires the development of a target model for tracking and governance of regulatory commitments with a central register for commitments.

Westpac consulted with Regulatory Relationships Managers as well as representatives from Divisional BCM teams to identify pain points and the necessary changes. A Target Operating Model, governance and central register for regulatory commitments was then developed.

After reviewing the Closure Pack for this Activity, we concluded that a target model for tracking and governance of regulatory commitments with a central register for commitments had been developed.

Promontory noted that, as part of our assessment of subsequent Activities for Deliverable 12.3, we will consider the effectiveness of JUNO as the central register of regulatory commitments and the completeness of the commitments maintained in JUNO.

Assessment of Deliverable 12.4

Deliverable 12.4 requires the implementation of a process to provide reporting which gives the Board visibility of emerging legal and regulatory developments on a six-monthly cycle.

Activity 12.4.2

Implement Activity 12.4.2 requires the implementation of reporting on emerging legal and regulatory developments with a six-monthly reporting cycle. Promontory notes that Westpac has changed the cadence of reporting to annual.

Westpac submitted the BLRCC Regulatory and Legal Themes Papers to the September 2020 and March 2021 BLRCC.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the change in frequency of reporting to annually. We were interested in whether the change had gone through Westpac's internal CORE change control processes. As a result of our queries, while the change had been agreed with the BLRCC, Westpac submitted a Change Request for formal approval in the March CORE Steering Committee meeting.

Based on our assessment of the Activity Closure Pack and the additional documentation and responses we received, we concluded that Westpac had taken appropriate steps implement the reporting designed as part of 12.4.1 to give the Board visibility of emerging legal and regulatory developments.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 12.4, we will consider the effectiveness of Westpac's reporting suite, and any enhancements made to the BLRCC Regulatory and Legal Themes Paper.

5.6. Conduct Theme Progress

During the Reporting Period Promontory assessed one Conduct 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 six of the 15 Conduct Theme Activities had been assessed as complete and effective.

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

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

5.6.1. Workstream 13 – Conduct Risk (WS13)

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

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

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

Figure 5.13: WS13 Activity Status

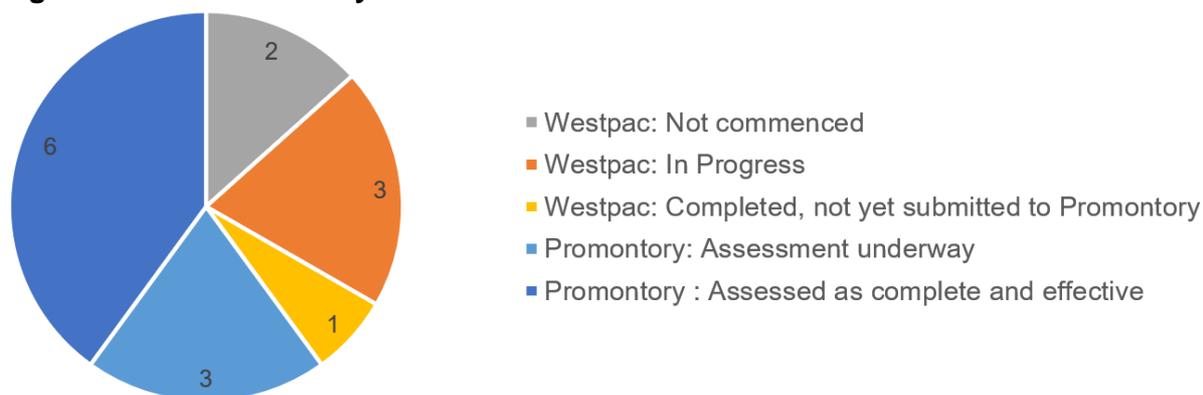


Table 5.14: WS13 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
13.1	New Code of Conduct	3	5
13.2	Conduct Risk training and guidelines	1	4
13.3	Conduct Risk 3LoD target operating model	1	3
13.4	Conduct Risk assessment and reporting	1	3
Total		6	15

Assessment of Deliverable 13.2

Deliverable 13.2 requires the establishment of a Conduct Risk training program and guidelines to raise awareness in Divisions, senior management and the Board and to integrate it with existing mechanisms.

Activity 13.2.1

Design Activity 13.2.1 required development of Conduct Risk training for three key activities:

- an online training module;

- a Navigate case study and associated material including 'huddle' guides; and
- leader-led workshops.

The Activity also required development of an ongoing Conduct Risk training syllabus for BAU.

Westpac launched the Code of Conduct e-learning module and required employees and contractors to complete the module. Westpac also held a Navigate session to embed the new PVB and Code of Conduct. Finally, Westpac integrated leader-led training into existing operating rhythms within the Divisions.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the material made available to the Board and regarding development of the training modules and materials, in particular the extent to which user and stakeholder feedback had been sought and used in the design. Promontory also requested a walkthrough of the interactive 'Should We' test on the Risk Assist bot, Astro, and a demonstration of the digital coach, Wendy, to understand the effectiveness of these online tools.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac has taken appropriate steps to develop Conduct Risk training in three forms:

- an Online training module;
- a Navigate case study and other associated material; and
- leader-led workshops.

Promontory noted that, as part of our assessment of subsequent Activity 13.2.2, we will consider how the Guidelines on key Conduct-related topics, which are being developed under that Activity and which are one of five key tools supporting the Conduct Risk syllabus, have been designed to support the desired uplift in Conduct Risk capability. As part of our assessment of subsequent Activities within Deliverable 13.4, we will continue to monitor the effectiveness of the Conduct Risk training through the CORE Outcome measures related to Conduct Risk Training and through the Conduct Risk related measures. Promontory will consider the effectiveness of this training as part of Embed Activity 13.2.4 and Deliverable 13.4.

5.7. Complaints Theme Progress

During the Reporting Period Promontory did not complete the assessment of any Complaints Theme Activities. Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 15 of the 18 Complaints Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac submitted the Closure Pack for one Complaints 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, one Activity for this Theme had not yet been submitted to Promontory for assessment.

5.7.1. Workstream 14 – Customer Complaints (WS14)

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

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

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

Figure 5.14: WS14 Activity Status

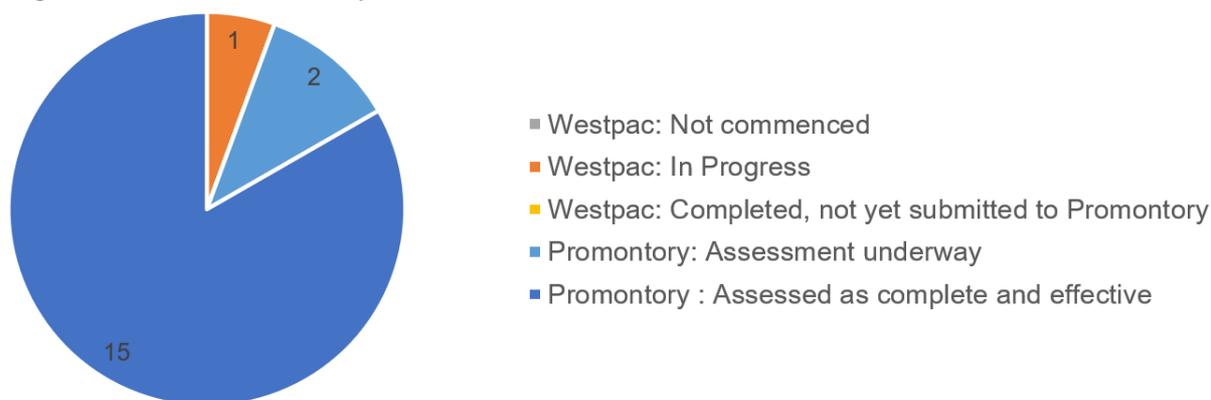


Table 5.15: WS14 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
14.1	Complaints Management changes	3	3
14.2	Operationalisation of updated Customer Complaints Policy	5	5
14.3	Complaints Management System, Release 1 (Main Bank excluding Wealth)	5	6

#	Deliverable	Complete and Effective Activities	Total Activities
14.4	Release 2 of Complaints Management System (Divisions within Wealth and additional features)	2	4
Total		15	18

5.8. Technology & Data Risk Theme Progress

During the Reporting Period Promontory assessed four Technology & 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 eight of the 25 Technology & Data Theme Activities had been assessed as complete and effective.

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

At the Reporting Date, 14 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 Red. The main drivers of the Red status are the consequential effect a delay in implementation has had on embedment and data quality issues in relation to Deliverable 15.4.

Figure 5.15: WS15 Activity Status

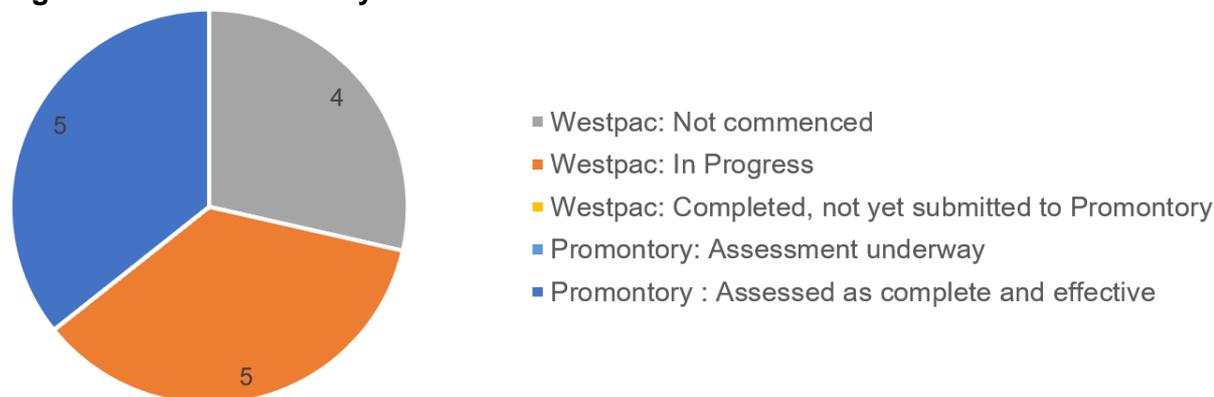


Table 5.16: WS15 Deliverables Progress

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

Assessment of Deliverable 15.1

Deliverable 15.1 requires the definition and documentation of risk appetite, with focus on the definition of key risk indicators and risk appetite thresholds. This includes the definition of technology risk appetite at the Group level.

Activity 15.1.1

Design Activity 15.1.1 requires that the technology components of the Group risk appetite are reviewed to provide clarity on technology obsolescence risk, including quantitative measures and qualitative statements.

In order to achieve this, Westpac defined technology obsolescence and the elements which it will consider. This led to the development of a methodology by which technology obsolescence can be measured. Finally, Westpac developed a technology obsolescence RAS measure and corresponding thresholds.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the scope of applications covered by the RAS measure. In particular,

we were interested in those applications which had been excluded from the RAS measure and the development of uplifted data sources as part of Deliverable 15.4.

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 the review the technology RAS measure following the delivery of the uplifts in Deliverable 15.4.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 15.1, we will consider the review of the RAS measure following the uplift from Deliverable 15.4 and the development of the relevant guidance for measuring Technology Obsolescence

Assessment of Deliverable 15.2

Deliverable 15.2 requires definition and documenting of a framework to consistently assess and measure technology service risk across the Group.

Activity 15.2.2

Implement Activity 15.2.2 requires that technology system owners and service management partners understand the technology service risk of systems.

The primary mechanism for this was the completion of a cycle of Service Risk Assessments (**SRAs**) across the group. In support of this, the methodology was incorporated into ServiceNow in November 2020 and training was provided following the launch of SRAs in October 2020.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the remediation of SRAs which were not completed in time, the selection of staff for training and guidance, the integration of feedback provided by stakeholders, and the mechanisms in place to support sustainability.

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 establish a timeframe for the completion of all SRAs and had implemented escalation procedures for instances of non-completion.

Assessment of Deliverable 15.3

Deliverable 15.3 requires the definition and documentation of risk governance processes, including the development and implementation of a technology roadmap which takes into account strategic, business and risk considerations.

Activity 15.3.1

Design Activity 15.3.1 requires that Westpac define a technology risk prioritisation matrix in line with Deliverable 15.1, review the roadmap methodology to incorporate technology

priorities including risk and define the methodology and framework to support the transition to lifecycle management.

Westpac released an uplifted standardised roadmap methodology in October 2020 which adopted relevant design principles that included the consideration of technology risk. A Technology Risk Matrix was added to each execution roadmap and included the technology obsolescence measures from Deliverable 15.1. Execution roadmaps were also added for consideration in the enterprise investment prioritisation process.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the policy documents created in support of the technology roadmaps, benchmarking and gap analysis performed during the implementation phase, and guidance materials.

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 review and update the technology roadmap methodology, implemented processes to acknowledge and approve risk outside of appetite, and provided templates and guidance in support.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 15.3, we will consider the evidence of ownership by stakeholders; adequacy of supporting frameworks; training and guidance; adequacy and effectiveness of information used in the planning process; and the application of the Technology Asset Lifecycle Management Framework where relevant.

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 15.4.1

Design Activity 15.4.1 requires Westpac to design enhanced technology risk reporting which considers the Key Risk Indicators identified in Activity 15.1.1. Oversight processes must also be developed to support increasing the understanding of Divisions.

A Technology Data Platform has been designed by Westpac to act as a central repository for information related to technology risk, and will automatically ingest data from key relevant source systems. In support of the platform, a Technology Risk Reporting Runbook was developed to provide a framework to manage technology risk to Divisions and LoBs.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the design of the Technology Data Platform, the frequency of reporting, and the design of the reports and dashboards.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to formalise the design of the Technology Data Platform, created the Reporting Runbook and determined the frequency and design of reporting.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 15.4, we will consider the implementation and use of measures relating to data quality for technology risk reports.

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

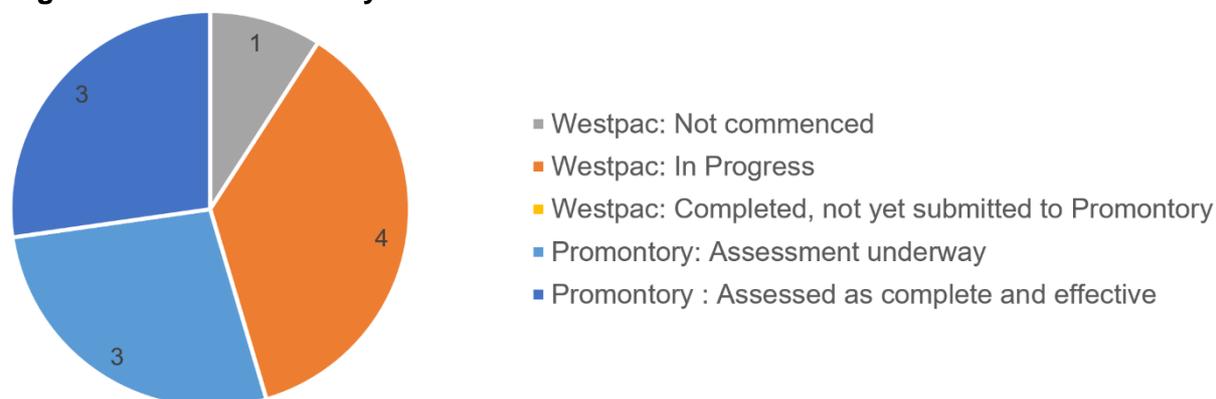


Table 5.17: WS16 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
16.1	Data oversight and reporting	2	5
16.2	Tooling and execution	0	3
16.3	Incident definition and rating	1	3
Total		3	11

5.9. Financial Risk Classes Theme Progress

During the Reporting Period Promontory did not complete the assessment of any Financial Risk Classes Theme Activities. Taking into account Activities assessed as complete and effective in previous reporting periods, as at the Reporting Date, none of the 12 Financial Risk Classes Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac submitted the Closure Pack for four Financial Risk Classes Theme Activities to Promontory. As at the Reporting Date Promontory was in the process of assessing four Activities for this Theme.

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

5.9.1. Workstream 17 – Credit Risk Governance (WS17)

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

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

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

Figure 5.17: WS17 Activity Status

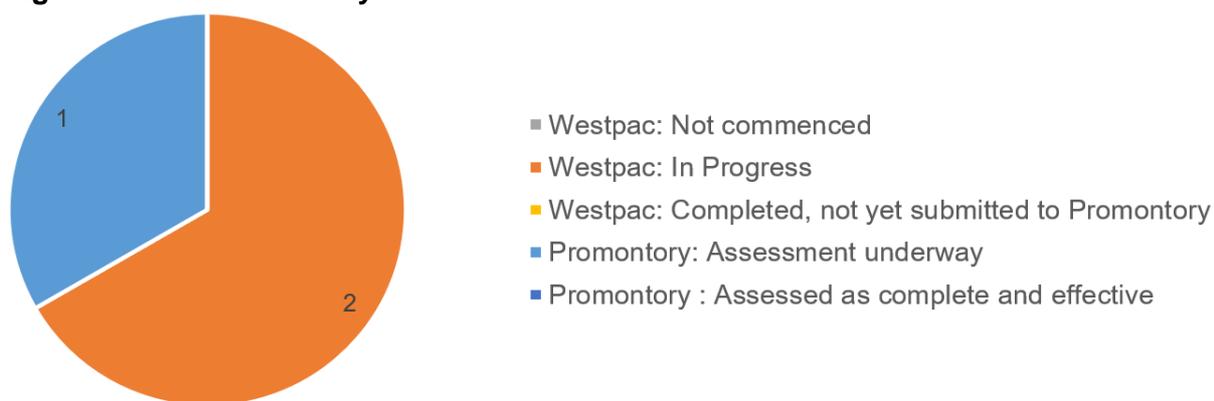


Table 5.18: WS17 Deliverable Progress

#	Deliverable	Complete and Effective Activities	Total Activities
17.1	Credit Risk governance	0	3
Total		0	3

5.9.2. Workstream 18 – Market Risk Governance (WS18)

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

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

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

Figure 5.18: WS18 Activity Status

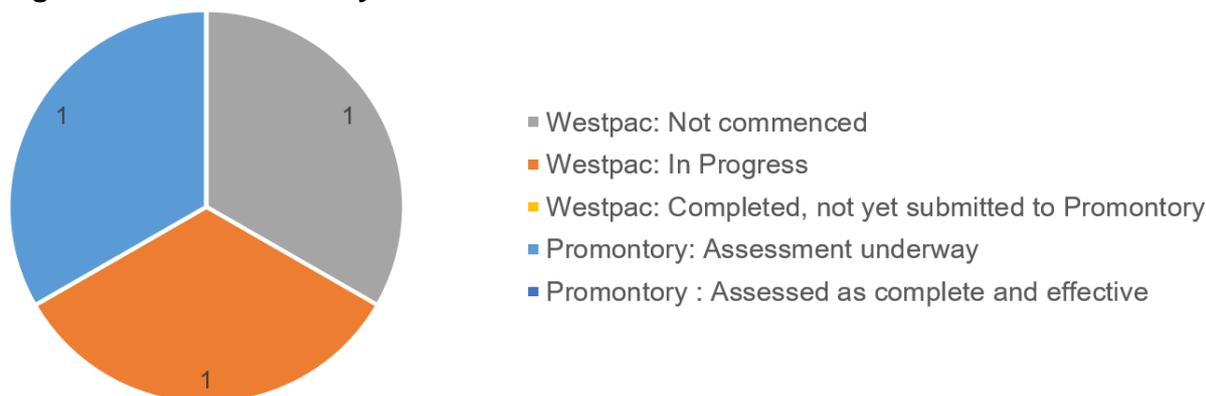


Table 5.19: WS18 Deliverable Progress

#	Deliverable	Complete and Effective Activities	Total Activities
18.1	Market Risk governance	0	3
Total		0	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:

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

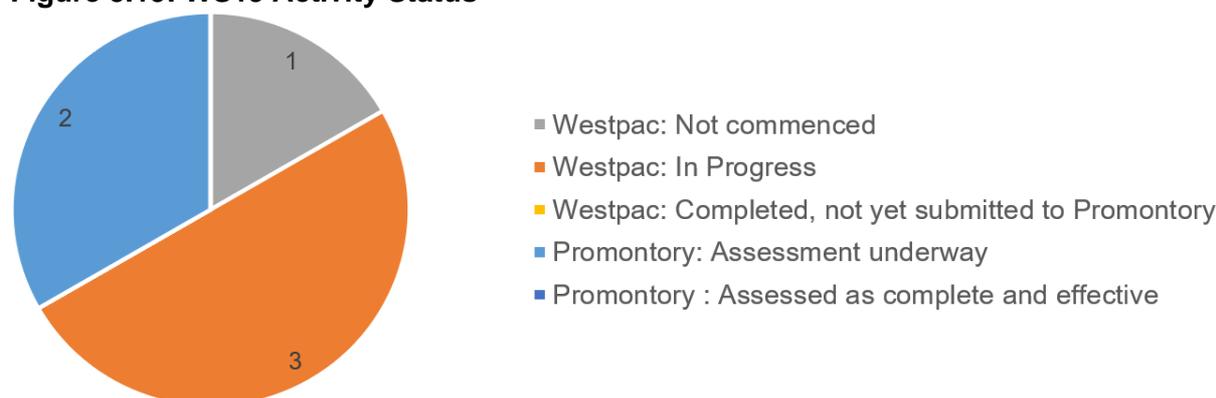


Table 5.20: WS19 Deliverables Progress

#	Deliverable	Complete and Effective Activities	Total Activities
19.1	Liquidity Risk governance	0	3
19.2	Capital Adequacy Risk governance	0	3
Total		0	6



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