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

Prepared by Promontory Australia, a business unit of IBM Consulting

Eleventh Report

30 October 2023

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 Eleventh 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 Eleventh for the purposes of identifying possible factual errors. Promontory is responsible for final judgement on all views and information in this report.

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Contents

Abbreviations & Definitions

Abbreviation	Definition
3LoD	Three Lines of Defence
Activity	Each Deliverable in the Integrated Plan is comprised of a number of Activities, classified as either a 'Design', 'Implement' or 'Embed' Activity
APRA	The Australian Prudential Regulation Authority
BAU	Business As Usual
BCM	Business Controls and Monitoring
BLRCC	Board Legal, Regulatory and Compliance Committee
BRemC	Board Remuneration Committee
BRiskC	Board Risk Committee
CBB	Consumer and Business Bank
CDE	Critical Data Elements
CEO	Chief Executive Officer
CGF	CORE GM 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
CST	Customer Solutions and Technology
CTO	Chief Transformation Officer
DCRO	Divisional Chief Risk Officer
Deficiencies	Westpac's risk governance shortcomings as set out in the Deficiencies Register

Abbreviation	Definition
Deliverable	A group of Activities that is part of a Workstream.
Deliverable Target State or Target State	Describes the outcomes to be achieved by completing a Deliverable
Divisions	The business units within the Westpac Group
Eighth Report	Promontory's eighth report on the Independent Review of Westpac's Integrated Plan, dated 7 February 2023
Eleventh Report or Report	Promontory's eleventh report on the Independent Review of Westpac's Integrated Plan, dated 30 October 2023
EU	Enforceable Undertaking
FCC&C	Financial Crime, Compliance and Conduct
Fifth Report	Promontory's fifth report on the Independent Review of Westpac's Integrated Plan, dated 3 May 2022
GE	Group Executive
GEM	Great Employee Moments
GM	General Manager
Integrated Plan or the Plan	The plan Westpac has established to address APRA's concerns and to uplift Westpac's risk governance
JUNO	Westpac's integrated risk and compliance management system
Line 1	Westpac's First Line of Defence, the front line and operational Divisions
Line 2	Westpac's Second Line of Defence, the Group Risk function
Line 3	Westpac's Third Line of Defence, the Internal Audit function
LoB	Line of Business
Ninth Report	Promontory's ninth report on the Independent Review of Westpac's Integrated Plan, dated 3 May 2023
Outcome Measures	Outcome Measures are defined at the level of the Program and are used to assess progress towards achievement of the overall objectives of the Program
PIR	Post Implementation Review
Program Deliverable Metrics	A set of Deliverable-level metrics in the Integrated Plan used to consider progress against the Target State for CORE

Abbreviation	Definition
	Program Deliverables, across the period of the Integrated Plan.
Promontory	Promontory Australia, a business unit of IBM Consulting
QBR	Quarterly Business Review
RAG	Red, Amber or Green rating
RAID	Risks, Assumptions, Issues and Dependencies
RAS	Risk Appetite Statement
RCMSA	Risk Culture Maturity Self-Assessment
RMF	Risk Management Framework
Reporting Date	30 September 2023
Reporting Period	This Report covers the period from 1 July 2023 to 30 September 2023
RMS	Risk Management Strategy
Seventh Report	Promontory's seventh report on the Independent Review of Westpac's Integrated Plan, dated 28 October 2022
Six-Monthly Review or 6MR	Semi-annual review of the impact, effectiveness and sustainability of the CORE Program by Westpac
Sixth Report	Promontory's sixth report on the Independent Review of Westpac's Integrated Plan, dated 28 July 2022
SBD	Specialist Business Division
SteerCo	The Westpac executive-level Steering Committee for the CORE Program
Tenth Report	Promontory's tenth report on the Independent Review of Westpac's Integrated Plan, dated 28 July 2023
TOR	Terms of Reference
Transition Period	A set period following the completion of the Program to check and monitor the sustainability and effectiveness of practices delivered through the Program, ensure their consistent application and further mature key components of Westpac's risk management framework.
Westpac or the Bank	Westpac Banking Corporation
WIB	Westpac Institutional Bank
Workstream	An area of work in the CORE Program

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

Executive Summary

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

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

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

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

- the status of Westpac's compliance with the remediation plan; and

- whether Promontory considers the implementation of the remediation plan to date to be effective and sustainable.

This report covers activity during the period 1 July 2023 to 30 September 2023. The status of the program is reported as at 30 September 2023.

Program Progress and Status

Westpac reached a significant program milestone during the quarter, completing the implement phase and submitting all implement activities to Promontory for assessment. From a total of 354 activities, Promontory has now closed 310 activities as complete and effective with only 2 implement activities remaining to be assessed.

Now entering the final phase of CORE, Westpac continues to work through some of the most complex and challenging activities that form part of its transformation. How deeply the changes delivered through CORE are embedded across Westpac through these activities will say much about how the five root causes underpinning the program and the program's target states are being addressed. With multiple uplifts underway and the targeted 'end date' for the Integrated Plan on the horizon, vigilant focus is required to stay the course and to quickly identify and respond to issues and risks.

The volume of work over the quarter has been significant and Promontory has observed material improvements to infrastructure, tooling, policies and frameworks as they are further embedded into BAU operations across the Bank. In the coming period, Westpac must continue to demonstrate effectiveness and show how these infrastructure uplifts are contributing to tangible improvements in risk practices and behaviours.

With Promontory yet to assess over 40% of embed activities under the program, some of which involve the most complex and challenging areas of the Integrated Plan, the effort required from Westpac through the coming phase should not be underestimated. Westpac must use the existing mechanisms to proactively identify risks and ensure they are addressed in a timely and constructive way.

Program developments

Over the quarter, the program experienced several key developments. Principal among them were the completion of a fourth six monthly review, the closure of three program workstreams (relating to organisational design, compliance management, and technology risk governance), and the ongoing work to develop the Bank's approach toward transition from the Program to BAU.

Beyond the developments at a program level, the organisational restructure announced in July[1] took effect on 1 August 2023. Promontory has not observed any material impacts on the progress of the program since the restructure. Rather, early observations from attending a number of risk committees suggest that the new structure will facilitate more enhanced, divisionally focused discussions. Over time, as the uplifts under CORE continue to mature, this sharper divisional focus should lead to improved decision making and risk management practices. Westpac will need to remain cognisant that the restructure comes amid a long running agenda of change, so heightened risks associated with change fatigue or ensuring effective embedment should be carefully monitored, particularly during the coming period when maintaining program momentum and focus is most critical.

This quarter saw Westpac complete its fourth six monthly review of the program to reflect on what has been achieved and articulate what still needs to be delivered. This included a leadership event hosted by the CEO, which highlighted that whilst good progress has been made, significant work remains to reach the target states and desired maturity.

In our previous report we noted that work on the approach to the period beyond the CORE program was underway as Westpac seeks to support an effective shift from the formal structure of CORE into BAU operating rhythms. The scope and approach to the work under the transition is still under development and has the close oversight of CORE governance forums, the Board Risk Committee and the Board. Westpac continues to demonstrate a commitment to ensuring that work to be done under CORE is completed in accordance with the Integrated Plan's end date, whilst the work during transition is intended to support sustainable, consistent practices and facilitate continuous improvement. Westpac identified a number of focus areas that will be included where additional work will be required to continue to improve and mature outcomes delivered under CORE.

Whilst it is both timely and necessary to plan ahead, during this critical phase of the program, Westpac needs to strike an appropriate balance between looking ahead toward transition and maintaining an unwavering focus on delivering the remaining activities. Every opportunity must

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[1] https://www.westpac.com.au/about-westpac/media/media-releases/2023/19-July/.

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

30 October 2023

be taken to reinforce the criticality of staying the course and demonstrating an improved end to end operating environment.

The program's overall health remained Amber during this reporting period, recognising the limited time left to fully embed and demonstrate the effectiveness of the remaining activities which are inherently complex. There were no program workstreams reported as Red at the end of the quarter. Frank and accurate health reporting becomes ever more important over the coming period given the concentration of activities to be delivered, some of which are arguably the most challenging such as risk culture, transformation capability and delivery, and end to end risk management. It is imperative that they receive the appropriate attention and focus at the various CORE governance forums, given there are few meetings remaining this calendar year.

Focus areas

Staying the course through to effective embedment

Now deep into the final phase, the priority for Westpac at this point in the program is to maintain a strong and consistent effort through to the completion of the Integrated Plan. The current demands of the program and its successful delivery will require significant focus and there is a continued need for a strong tone from the top and an engaged middle management, who are key stakeholders for driving the practices and behaviours required as they understand the day to day operations and can identify and address challenges in a timely manner.

With few months left, what remains to be delivered are inherently complex activities. There is a need for ongoing and critical self-evaluation as to the quality and consistency of what is being delivered.

It is in this context that the final phase should act as a 'call to action' for Westpac, to foster renewed commitment and re-doubling of efforts. Additionally, a level of critical oversight should be applied to assess the interconnectedness of practices and how well they are working together to drive consistent, tangible and sustainable improvements in risk management at the bank.

A proactive approach to managing risks and feedback

Ultimately, one of CORE's key objectives is to shift the Bank's overall approach to risk management from reactive to proactive. At this point in the program's delivery, applying a proactive approach to identifying and dealing with risks will help to drive improved outcomes. This requires a willingness to obtain real time feedback and to be open and responsive to such feedback.

With the program approaching completion, it is useful to retain a 'chronic unease' about progress, so that there is a demonstrated commitment to continue testing and challenging the quality of outcomes. It is also critical to avoid slipping back into a 'good news' bias when monitoring progress towards completion. Demonstration of and support for this approach from leadership will be important.

It is to be expected that areas will be identified where challenges remain and/or further work is required. As such, it will be important to proactively look for risks and ensure there is a timely and constructive response to problems that are identified.

Demonstrating effectiveness

Over the coming period, in addition to maintaining an acute focus on delivery, Westpac must continue to demonstrate effective changes and outcomes. This requires a close reflection on how the outcomes under CORE address the program's root causes and target states. A clear narrative around the outcomes achieved through the Program, and consistent articulation of the progress and changes that have occurred, should be a key part of communication activities.

Demonstrating tangible uplifts requires the Bank to look beyond the delivery of component parts of the program, and beyond frameworks and processes. Rather there is a need to critically reflect on how those component parts are working together effectively. This should be observed through, for example, connected and consistent practices, enhancements in capability, a simplified business, improved accountability, proactive risk management practices, enhanced behaviours and better decision making through all layers of the Bank.

When the central structure of the CORE program is removed, Westpac is expected to rely on the foundations achieved under CORE, from which it can continue to refine and improve. The success of the uplifts delivered will largely be reliant upon the people at Westpac and as such the ongoing investment in their capability will be a key pillar to sustaining a culture of continuous improvement.

1. Introduction

1.1. Background

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

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

1.2. The Integrated Plan

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

- an immature and reactive risk culture;

- an organisational construct that creates complexity;

- a three lines of defence (**3LoD**) model that is not well understood or embedded;

- a shortfall in risk management capacity and capability; and

- challenges in execution and 'staying the course'.

Westpac has defined five target states in relation to each of these root causes, which it is seeking to achieve upon completion of the Program.

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

- 'a simplified organisational construct with clear accountabilities';

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

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

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

The Integrated Plan consists of 19 areas of work (**Workstreams**), which are categorised into eight themes (**Themes**), as shown in Table 1.1 below.[2] For each Workstream, Westpac sets

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[2] 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.

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
Conduct	WS13 - Conduct Risk
Complaints	WS14 - Customer Complaints
Technology & Data Risk	WS15 - Technology Risk Governance WS16 - Data Risk Governance
Financial Risk Classes	WS17 - Credit Risk Governance WS18 - Market Risk Governance WS19 - Liquidity & Capital Adequacy Risk Governance

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

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

● a Design Activity, which involves work to define an approach to address the associated Deficiencies;

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

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

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

1.3. The CORE Program

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

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

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

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

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

1.4. Promontory's Approach

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

Our role as independent reviewer includes:

- assessing the effectiveness of Westpac's execution of the Program; and

- delivering quarterly reports.

1.4.1. Assessing Effectiveness

Our role as independent reviewer includes assessing the effectiveness of Westpac's delivery of Design, Implement, and Embed Activities. Upon completion of an Activity, Westpac compiles a closure memo and relevant artefacts (**Closure Pack**) which forms the basis of Promontory's analysis and assessment of Activities.

For Design Activities, all have been closed, our assessments focused on whether:

- the Activity Closure Criteria had been met; and

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

For Implement Activities, our assessments focus on whether:

- the Activity Closure Criteria have been met;

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

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

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

For Embed Activities, our assessments focus on whether:

- the Activity Closure Criteria have been met;

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

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

- there is evidence of the program deliverable metrics (**Program Deliverable Metrics**), which measure performance against the Target State for individual Deliverables, reaching the required level; and

- the Deliverables are sustainable so they support and evidence the maintenance of the Target State on an ongoing basis.

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

- any outstanding queries identified by Promontory in assessing the preceding Activities have been addressed;

- all further information requirements from Promontory have been addressed;

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

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

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

1.4.2. Reporting

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

- the status of Westpac's compliance with the EU and progress against the Integrated Plan; and

- whether Promontory considers the implementation of the Integrated Plan to be effective and sustainable, and the reasons for Promontory's conclusions.

Promontory has delivered ten reports on Westpac's response to the EU, since March 2021, with this being Promontory's eleventh report (**Eleventh Report** or **Report**). This Report covers the period from 1 July 2023 to 30 September 2023 (**Reporting Period**). The status of the Program is reported as at 30 September 2023 (**Reporting Date**).

We note that the completion of Activities and Deliverables in the Integrated Plan are scheduled to conclude in December 2023, following which Westpac will finalise and submit the remaining Closure Packs for our assessment. This work will occur in the first half of 2024, and a final report will be delivered following the conclusion of our assessments.

1.5. Report Structure

The remainder of this Report is structured as follows:

- **Chapter 2** summarises progress on, and the status of, the Program;

- **Chapter 3** describes significant developments in relation to the Program that occurred during the Reporting Period and Promontory's observations on those areas, listing areas for Westpac to focus on over the coming period; and

- **Chapter 4** provides details about Activities assessed as complete during the Reporting Period.

2. Program Progress

The Integrated Plan is made up of 354 separate Design, Implement or Embed Activities. These Activities are grouped into 83 Deliverables which make up 19 Workstreams. As at the Reporting Date, Westpac had delivered Closure Packs for 324 Activities to Promontory.

During the Reporting Period, Promontory assessed 24 Activities (11 Implement Activities, 13 Embed Activities), and 12 Deliverables as complete and effective. Of these:

- three were Board Risk Governance Theme Activities;

- five were Culture and Capability Theme Activities;

- three were Conduct Theme Activities;

- 11 were Risk and Compliance Management Theme Activities; and

- two were Technology and Data Risk Theme Activities.

Figure 2.1 Program progress
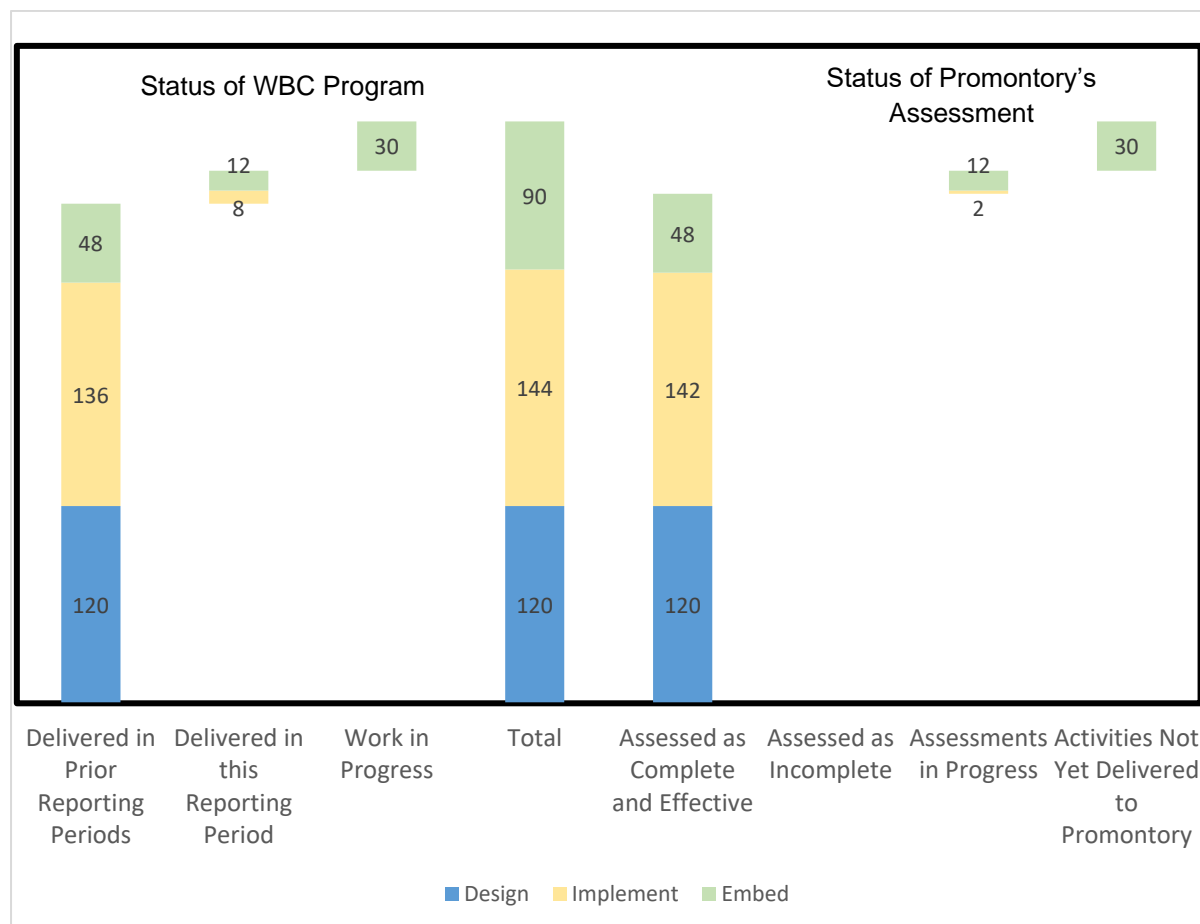
Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, 310 Activities had been assessed and closed as complete and effective. This is comprised of:

- all 120 Design Activities;

- 142 of 144 Implement Activities; and

- 48 of 90 Embed Activities.

Further information on the assessment of these Activities is provided in Chapter 4.

Each of the Activities we assessed as complete and effective provides, in our view, a sound basis for achieving the Target State for the Deliverable to which it relates. Together, these Activities are well positioned to provide a sound basis for achieving the Program's overall objectives on an ongoing basis. Progress by Theme as at the Reporting Date is set out in Table 2.1.

Table 2.1 Activity Progress by Theme

Theme	Activities with Westpac		Activities Submitted to Promontory			Total
	Remaining	Completed but not yet Submitted to Promontory	Assessment Underway	Assessed as Complete and Effective	Assessed as Incomplete	
Board Governance	1	0	1	28	0	30
Culture and Capability	8	0	3	105	0	116
Transformation Capability and Delivery	4	0	4	25	0	33
Risk and Compliance Management	6	4	4	89	0	103
Conduct	1	1	0	14	0	16
Complaints	0	0	0	18	0	18
Technology and Data Risk	1	0	1	23	0	25
Financial Risk Classes	0	4	1	8	0	13
TOTAL	**21**	**9**	**14**	**310**	**0**	**354**

Table 2.2 Deliverable Progress by Theme

Theme	Deliverables with Westpac		Deliverables Submitted to Promontory			Total
	Remaining	Completed but not yet Submitted to Promontory	Assessment Underway	Assessed as Complete and Effective	Assessed as Incomplete	
Board Governance	1	0	2	6	0	9
Culture and Capability	8	0	2	14	0	24
Transformation Capability and Delivery	4	0	3	0	0	7
Risk and Compliance Management	6	4	4	10	0	24
Conduct	1	1	1	1	0	4
Complaints	0	0	0	4	0	4
Technology and Data Risk	1	0	1	5	0	7
Financial Risk Classes	0	3	0	0	0	3
TOTAL	**21**	**9**	**13**	**40**	**0**	**83**

3. Program Developments

3.1. Overview

In the previous quarter Westpac reached a significant milestone for the Program by completing the implement phase and submitting all implement activities to Promontory for assessment. In the period since June, Promontory has assessed almost all remaining Implement Activities as complete and effective, with only two remaining open pending Promontory's final assessment. In addition, a further 3 Workstreams (WS 4 – Organisational Design, WS12 – Compliance Management and WS15 – Technology Risk Governance) have been closed as complete and effective.

Westpac has also continued to consider its proposed approach to transitioning from the Program into BAU. This has been an area of continuing development and received considerable attention, particularly through governance forums. While Westpac will need to continue to consider and refine the details of the Transition Period, the Bank must ensure it retains momentum and commitment to the work that remains to be done as part of the Program. As explained further below, during this final and pivotal point in the Program, Westpac needs to leverage the support and challenge of the CORE governance forums as they play a crucial role in overseeing the completion of remaining tasks and ensuring high-quality outcomes.

As noted in our last Report, on 19 July 2023 Westpac announced organisational changes including the restructure of several key business Divisions. [3] Principal amongst them is the separation of Consumer and Business Banking (**CBB**) into separate 'Consumer' and 'Business' Divisions and, the introduction of a standalone 'Technology' Division with relocation of Operations to Customer and Corporate Services. Reflecting the Bank's simplification agenda, which involved exiting nine businesses, the remaining business functions of the Specialist Business Division have been integrated into the 'Consumer' and 'Business' divisions. Most notably the Wealth business has been transferred into the newly formed 'Business and Wealth' Division. Promontory has engaged closely with Westpac to understand the implications of the changes in the context of CORE.

In this section, we describe these key developments in more detail and highlight aspects of the Program that continue to warrant attention.

3.1.1. Six Monthly Review

Westpac undertakes a formal review of the CORE Program every six months to reflect on whether it is effectively executing the Integrated Plan and sustainably achieving the required risk governance uplift. During this Reporting Period, Westpac completed its fourth Six Monthly

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[3] https://www.westpac.com.au/about-westpac/media/media-releases/2023/19-July/

Review (**6MR**) of the Program. Key inputs into the process include feedback and observations from both internal and external stakeholders.

The 6MR included a leadership event hosted by the CEO with leaders from across the Bank to build on the People Leader Culture Days undertaken earlier in the period (described in further detail in Section 3.2.3 below). The key objective of this 6MR was to reflect on progress to date on what the Plan has delivered against the five target states and articulate what still needs to be delivered, including aligning on how Westpac will monitor sustainability in 2024 as part of the Transition Period and beyond, and setting expectations for leaders.

3.1.2. Material Matters

In recognition of the importance of continuing to reflect and adapt in response to risk events and issues, including those that arise while the Program is in flight, Westpac developed the 'Material Matters' approach, as set out in our Fifth Report. This considers several inputs including the results of Group Audit reviews, matters reported to the Root Cause Analysis Forum and information from the Group's approach to identifying emerging risks, to assess whether additional root causes need to be considered and whether there is a need for changes to be made to the scope of the Program. There has been a commitment to learning from incidents and issues, with an increasing focus on cross-organisational learnings.

More recently, Westpac has expanded upon the Material Matters process and developed an additional approach referred to as 'Extended Material Matters'. The Extended Material Matters approach intends to expand the analysis to also consider potential shortcomings in uplifts achieved by the Program. Consequently, these matters may impact the Program's ability to effectively demonstrate its maturity in comparison to the target states. Currently, several issues are under consideration as part of the Extended Material Matters approach, with the analysis yet to be completed. This work will consider, amongst other things, whether there are further implications arising from these matters relating to CORE and/or the Transition.

The approach to reviewing risk events and issues provides a regular and important opportunity for the Bank to learn from incidents and issues as part of effective risk governance, and to share these learnings. In relation to CORE, it also provides an opportunity to critically assess how CORE is working in practice and identify areas that may require further maturity. The Bank should ensure that these opportunities are well utilised and that sufficient depth of analysis and oversight is applied. This includes a focus on more recent material events to assess whether:

- there have been any shortcoming in the risk management practices established through CORE;

- further effort is required in addressing any of the five root causes identified; or

- there are areas where further uplift is required in the level of maturity relative to the five target states.

3.1.3. Organisational Restructure

As noted earlier in this Report, this was the first full Reporting Period since Westpac announced its organisational restructure. The separation of the Bank's Consumer and Business Divisions, each now with dedicated executives, means Westpac's structure will more closely resemble its peers, whilst the establishment of a stand-alone Technology Division is intended to accelerate Westpac's plans for simplification. In line with the changes, Westpac has introduced new reporting lines for four of five impacted Divisions[4], and Risk Committees (**RiskCos**) are also now in effect across all impacted Divisions. Westpac is also currently updating data and reporting tools to reflect the structural changes and expects this will be completed in the coming months.

To date, Promontory has not observed any material impacts from the structural changes on the progress of the Program. Rather, our early observations from attending a number of RiskCos suggest that the new structure will facilitate more enhanced, divisionally focused discussions. Over time, and as the end to end uplifts under CORE continue to mature, this sharper Divisional focus should also be evidenced through the sharing of deeper insights and improved risk management decisions.

We note that there are a number of key functions, including Business Controls and Monitoring (**BCM**), Divisional Risk, Transformation and Technology that will have dual reporting lines, supporting two of the larger Divisions, Consumer and Business and Wealth. Given the size and complexity of these two Divisions, it will be important for the Bank to ensure that there is adequate capability and capacity to support these functions, noting the potential impact of additional activities such as participation at multiple RiskCos, management meetings, and reporting processes. Consideration should also be given to managing risks associated with dual reporting lines.

Westpac should remain cognisant that the restructure comes at a time where the Bank has already been facing into a heightened risk of change fatigue, against the backdrop of a busy change agenda and compounded by staff constraints in a tightening economic environment. However, change is inevitable and indeed the restructure may serve as an important proof point for the adaptability and sustainability of the initiatives delivered under CORE. At this stage of the Program and in the context of the recent restructure, it is important that the Bank closely monitors the risks associated with change fatigue.

3.1.4. Westpac's approach to transition

Westpac continues to work on its approach to the period following the completion of the Program to check and monitor the sustainability and effectiveness of practices delivered and to ensure their consistent application, and to further mature key components of the Bank's risk management framework (**Transition Period**).

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[4] WIB reporting line changes went live on 1 October 2023, outside of the Reporting Period covered in this Report.

The scope and approach to the work to be done during the Transition Period is still under development and has the close oversight of the CORE Governance Forums and the BRiskC. The Board also received an update on the proposed Transition Period during the quarter.

Westpac continues to demonstrate a commitment to ensuring that work under the Integrated Plan is completed in accordance with its scheduled end date, whilst work to be carried out under the Transition Period will support sustainable and consistent practices and enable continuous improvement. Westpac identified a number of focus areas that will be included where additional work will be required to continue to uplift and mature practices delivered by the Integrated Plan. The scope and detail of this work is still under consideration.

To reinforce the transition from a centrally managed Program to BAU mechanisms, the infrastructure currently in place to support the CORE Program will be removed in December 2023, at which time all Activities and Deliverables under the Plan are intended to be completed. This includes disbanding all CORE related governance forums. As such, this highlights the increasingly significant role that the existing CORE related governance forums will play in providing oversight and challenge during the Program's final phase. Robust oversight is required to ensure strong delivery discipline and the management of risks over tightening timeframes.

Promontory will continue to engage with Westpac and monitor developments as details for the Transition Period are progressed over the coming months.

3.2. Program Health

3.2.1. Program Health Status

Overview

The Program continued to use health status reporting (Red, Amber, Green) to identify areas of risk and focus during the Reporting Period. In this final phase of the Program, it is imperative that health reporting continues to receive a high level of attention and focus, particularly in relevant governance forums. This will help promote the quick escalation and resolution of any issues.

The overall health status for the Program was reported as Amber to the September CORE GM Governance Forum (for the period up until the end of August).[5] This is consistent with the previous Reporting Period, and reflects that while Workstreams are reporting confidence in completing the remaining Deliverables to schedule, there is a risk of not being able to demonstrate effective embedment as a result of the short runway to the planned completion of the Program and hence limited time to course correct if required.

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[5] There was no SteerCo meeting held in September due to the Six-Monthly Review.

Workstream Health

There were no Workstreams reported as Red at the September CORE GM Governance Forum, and three Workstreams reported as Amber (Risk Culture – WS3, Transformation Capability and Delivery – WS7, and Conduct Risk – WS13).

- **Risk Culture Workstream (WS3):** improved to an Amber rating this Reporting Period following Promontory's closure of the Implement Activity relating to the Risk Culture Framework (see section 4.3.2). Outcomes for this Workstream remain Red due to the short timeframes to demonstrate sustainable operationalisation. Actions are in place to manage these risks, including conducting Post Implementation Reviews (**PIRs**) focused on Divisional activities and a dedicated mechanisms for Divisions to provide feedback. This is intended to enable early identification and resolution of issues.

  During the Reporting Period, we received updates regarding Westpac's efforts to ensure the successful embedment of the Implement Activities. It is our view that the timelines for addressing the significant follow up items outlined in the closure of these Implement Activities are narrow, and ensuring the successful embedment of these Activities will be challenging.

- **Transformation Capability and Delivery (WS7):** remains Amber this Reporting Period, pending Promontory's assessment on Divisional Implementation of the Transformation Policy and Standards. This Workstream also continues to monitor embedment activities within Divisions through governance mechanisms, noting a tight timeframe for completion.

- **End to End Risk and Control Environment (WS10)**: improved to a Green rating this quarter. Whilst the delivery of activities is reported as tracking against timeframes, our view is that there is still further effort required to demonstrate effective and consistent proactive risk management practices across the Bank, including application of the three lines of defence model.

- **Conduct Risk (WS13)**: remains Amber pending finalisation of a plan to respond to follow-up items that will need to be resolved for the completion of the Deliverable relating to Conduct Risk Maturity (Deliverable 13.3 – see Section 4.6.1) and evidence requests relating to the Conduct Risk Training and Guidelines.

Divisional Health

While all Divisions reported a Green rating for overall health to the September CORE GM Governance Forum, the specific rating on the sub-category of Outcomes were reported as Amber for CBB, WIB, Risk, and Technology. This is due to concerns with not meeting all FY23 Outcome Measure Objectives (refer to Section 3.2.3) for various reasons, this includes:

- CBB was impacted by a deterioration in measures related to controls requiring improvement due to continuing controls rationalisation and the age of open remediations due to the extension of three long-dated issues.

- Technology is also working through measures for controls requiring improvement and remediation of high rated issues.

- WIB are on track to meet all FY23 Outcome Measure objectives except for three which have dependencies on Group and external factors.

It was noted that these Divisions have action plans to address factors driving the ratings with an expected 'return to Green' by the end of October.

3.2.2. Program Oversight and Governance

Board and Management Oversight

As noted in our last Report, rigorous Board oversight is critical to the Program and perhaps more so in the final phase. The Board also has an important role in setting a strong tone from the top to ensure that changes to the way of working are sustained into BAU. Board oversight continued through the BRiskC where, among other things, the Board discussed updates and reporting on the CORE Program.

Promontory also continued to observe the main Program governance forums, including the SteerCo and the CORE GM Governance Forum (**CGF**). Program delivery was discussed at these forums, and we also observed both the SteerCo and CGF placing considerable focus on determining the details of the approach to transition.

Risk and Group Audit Oversight

Both Line 2 and Line 3 continued to play an active role in reviewing and providing assurance over the delivery of the Program during the Reporting Period.

During the quarter, Line 2 shifted attention towards managing the risks associated with the transition to BAU and demonstrating desired maturity, as well as the recent internal structural changes. Line 2 has observed that there remains a high concentration of Activities to be delivered by December and it is essential to avoid 'tuning out' ahead of the Transition Period and to continue to monitor the impacts of the external operating environment, change fatigue and capacity. Line 2 have also noted that the removal of the CORE scaffolding and Program governance at the end of the calendar year will bring in new challenges and risks.

Group Audit delivered five reports (up to 4 September 2023) relating to areas with potential considerations for the Program. Several of these reports identified the need for further uplift in issue management practices for the Group. While the findings did not indicate a systemic deficiency, they highlight the need to ensure that issue management practices continue to mature and improve. Management have developed remedial actions where relevant to address the issues identified.

Group Audit also completed its sixth biannual CORE Program Review, providing limited assurance on delivery controls of the Program, relating to delivery outlook and the Transition

approach presented to the SteerCo in August, among other things. Their limited assurance review concluded that there were adequate controls to support oversight processes in place.

3.2.3. Program Management

Communications

During the Reporting Period, communications continued to play an important role in supporting the intended outcomes of the Program. This quarter, Promontory observed intensified focus on targeting middle management in CORE communications. Examples of key communication strategic initiatives that were delivered during the Reporting Period include:

- **People Leader Culture Days:** Westpac held a series of full day in-person events in each state across Australia with a target audience of middle managers (GM2-5) and strong attendance from Group Executives (**GEs**) and Board Members. The purpose of the sessions was to reinforce expectations of all people leaders in driving and embedding the change required to achieve a proactive risk culture, and reinforcing the four key behaviours of challenge, ownership, reinforcement, and decision making.

- **Navigate Leader Workshop – Voice of the Customer:** Westpac held a Navigate session hosted by the Chief Transformation Officer (**CTO**) and joined by a panel of key senior stakeholders including the Head of Cash Services and Transformation, Chief Risk Officer (**CRO**) CBB Risk, and General Manager (**GM**) Customer Solutions. The session was attended by over 1,500 leaders and focused on lessons learned from an incident relating to consumer ATMs. The session effectively built on the People Leader Culture Day, with the four key behaviours further reinforced. The session concluded with a clear call to action for leaders to speak up and raise issues quickly and share the lessons learned from the case studies with their teams. As noted in our last Report, these sessions have continued to serve as an effective means of fostering a safe 'speak up' culture.

In this final phase of the Program, communications will remain an important tool in maintaining momentum to ensure that the outcomes of the Program are fully embedded and sustained as the ongoing way of working.

3.2.4. Measuring Program Outcomes

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

- 182 Program Deliverable Metrics, which measure performance against the Target State for individual Deliverables within the Integrated Plan.

- 51 Outcome Measures, which are BAU measures that will continue beyond the completion of the Program. These measures are intended to provide a view of select business performance measures that, in aggregate, will indicate whether Westpac is seeing the necessary uplift in risk, governance and culture.

Deliverable Metrics

Reporting on the Program Deliverable Metrics was tabled at the July SteerCo for the June quarter. Of the 182 metrics, 144 were considered Green, 16 were rated Amber, zero Red, and 22 were complete. This is a slight increase in Green rated metrics and a decrease in Amber rated metrics from the previous quarter (i.e., increasing from 137 Green and decreasing from 20 Amber). The remaining Amber rated items were largely in relation to end to end risk management and controls, consistent with the previous Reporting Period and remains an area of focus.

Outcome Measures

Westpac continues to make steady progress towards FY23 objectives, with reporting tabled at the July SteerCo for the June quarter showing over 60% of FY23 Objectives achieved, a slight increase from the previous quarter. However, there are several key areas that remain under close watch, with eight Group-level objectives not on track to meet FY23 objectives and heightened concern with five. These relate to controls, longstanding remediations, qualified prudential standards, and out of appetite risks.

The complex operating environment is one of the key contributors to the challenges the bank faces in meeting its objectives. Action plans have been developed and are being implemented and governed through BAU mechanisms to address these performance concerns.

Westpac began discussions on setting the Outcome Measures for FY24, which will be tabled at the Program governance forums and presented to the BRiskC in the next quarter. As part of the Transition oversight mechanisms during 2024, Westpac has indicated that it intends to continue tracking CORE Program Outcome Measures in demonstration of further progression towards its aspirational state.

3.3. Focus Areas

Staying the course through to effective embedment

The priority for Westpac at this point is to maintain a strong and consistent effort through to the completion of the Integrated Plan. It is critical to devote the attention and effort required to embed Activities, and to quickly identify and respond to any challenges at this late stage.

Through our assessment of the Design Activities, Promontory observed material improvements to the risk management frameworks and policies. With almost all Implement Activities now assessed as complete and effective, these improvements have been integrated into BAU with an uplift in risk management systems including tools and processes. However, with limited time left, there is still significant work required to embed some of the most complex and challenging Activities under the Program which together, are integral to driving the Program's intended outcomes. In this regard, the challenges associated with 'staying the course' in an ever-changing environment and change fatigue must be actively managed.

Successful delivery will require significant focus, a continued strong tone from the top and an engaged middle management who are largely responsible for driving the practices and behaviours required. There is also need for ongoing and critical self-evaluation as to the quality and consistency of what is being delivered as multiple uplifts converge and scheduled end dates draw nearer.

In this final phase, Westpac must maintain a strong focus on what remains to be done as well as planning for the Transition Period. With limited time remaining under CORE, the governance forums should maintain vigilant focus, provide strong challenge and oversight, and where necessary guidance to navigate through any course corrections required.

> The final phase of the Program should be a 'call to action' for Westpac. Renewed effort and commitment to embedding quality uplifted practices across the remaining Activities is required. Additionally, critical oversight should continue to be applied to assess how well practices are working together to drive consistent, tangible and sustainable outcomes.

A proactive approach to managing risks and feedback

A key objective of CORE is to shift the Bank's overall approach to risk management from reactive to proactive. Taking a proactive approach to identifying and dealing with risks is particularly important at this point in the Program.

Any risks or challenges that emerge at this stage need to be identified and dealt with quickly and effectively. This requires a willingness to obtain real-time feedback and to be open and responsive to such feedback. With the Program approaching completion, it is useful to retain the 'chronic unease' about progress, so that there is a commitment to continue testing and challenging the quality of outcomes. This will help ensure there is a robust and effective approach to embedment.

While there have been major achievements under the Program, it is critical to avoid slipping back into a 'good news' bias in monitoring progress towards completion, or to avoid confronting difficult issues that may require additional work. Demonstration of and support for this approach from leadership and encouragement of these types of discussions will be key contributors to program success and more generally indicate a positive movement towards desired risk culture.

As raised in our previous reports, some areas of the Program are inherently complex, and we have observed ongoing challenges which will continue to command Westpac's attention and may result in significant risks. Two key areas include:

- **Risk Culture:** Westpac acknowledges that there are risks associated with achieving the desired target state of a mature and proactive risk culture and notes that the time available before the end of the Program is limited. During the Reporting Period, we observed challenges with the effective and consistent implementation of the Bank's Risk Culture Framework and tools. Westpac needs to demonstrate a consistent approach to the measurement, monitoring and reporting of risk culture across its Divisions. This includes ensuring a consistent understanding within the Divisions of the key elements of the Risk Culture Framework. Additionally, Westpac needs to ensure that there is sufficient capability and capacity, including in Line 2, which holds responsibilities for oversight of Divisional risk culture action plans, aggregating insights from divisional monitoring and action planning, reporting to the Group Executive RiskCo and Board, and executing its insights program. This will support the federated approach adopted by Westpac regarding the measurement and monitoring of risk culture and action planning to address identified risk culture weaknesses.

- **End to End Risk Management:** we have observed the implementation and use of sound frameworks, policies and tools to better identify and manage risks and issues across the Bank's value chains. This includes greater transparency and improvements to reporting. It is however important for Westpac to actively monitor the underlying practices and outcomes to identify areas where further uplift is required. This is especially important given we have observed differing levels of maturity across the Bank and there remains an opportunity to evidence the consist embedment of effective practices. This includes continuing to evidence increased capability and effectiveness across Line 1 and Line 2.

Given that Promontory is still to assess 40% of Embed Activities, it is to be expected that areas will be identified where challenges still remain. In this context, and with a view to embedding sustainable change, it is important for Westpac to proactively look for any risks and to ensure there is a timely and constructive response to problems that are identified.

A receptive and considered approach is required to ensure that feedback and opportunities for improvement are effectively identified and appropriate actions are taken in response.

Demonstrating effectiveness

As outlined in Section 1.2, at its foundation, the Integrated Plan was established to address the five Root Causes which led to the EU and to seek to achieve the five Target States identified. In this final phase, in addition to remaining acutely focused on delivery, Westpac must continue to demonstrate effective outcomes and changes. This requires a close reflection on how the outcomes of the Program relate to the Root Causes and Target States. This should be with a view of moving beyond frameworks and processes to evidencing the desired uplifts. A clear narrative around the outcomes achieved through the Program, and consistent articulation of the progress and changes that have occurred, should be a key part of communication activities.

Demonstrating the effectiveness of uplifted practices in tangible ways requires the Bank to look beyond the implementation of component parts based on the Activities delivered. Rather, there is a need to critically reflect on how those component parts are working together. This should be observed through, for example, connected and consistent practices, enhancements in capability, a simplified business, improved accountability, proactive risk management practices, enhanced behaviours and better decision making through all layers of the Bank.

When the central structure of CORE is removed, Westpac is expected to rely on the foundations with demonstrated outcomes delivered under the Program as the platform from which it can continue to refine and improve. Ultimately, the success of the uplifts delivered will be reliant upon the people at Westpac and the investment in their capability to maintain and build upon what is being delivered under CORE.

> The need to demonstrate and evidence the tangible benefits of the uplifted practices should be viewed as a key pillar to sustaining a culture of continuous improvement.

4. Workstream Assessment and Progress

4.1. Introduction

During the quarter, Promontory assessed 24 Activities (11 Implement Activities and 13 Embed Activities) as complete and effective, and 12 Deliverables were closed. A further 14 Activities remained under assessment.

Promontory takes a structured approach to assessing Activities. We look for evidence that the specific tasks described have been carried out, and evidence that the Activity is effective and has contributed to achieving the Target State of the relevant Deliverable (refer to section 1.4.1).

Table 5.1 is a list of Activities and Deliverables closed during this Reporting Period. The balance of Chapter 5 provides summaries of the relevant assessments.

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

#[6]	Theme	Workstream	Activity	Phase	Activity Sign-Off Date
1	Board Risk Governance	WS1	1.3.3	Embed	25 August 2023
2			1.4.3	Implement	29 September 2023
3			1.6.5	Embed	25 August 2023
4	Culture and Capability	WS3	3.1.5	Implement	31 August 2023
5			3.2.4	Implement	19 September 2023
6			3.3.8	Implement	12 September 2023
7			3.4.5	Implement	11 September 2023
8		WS4	4.4.3	Embed	28 July 2023

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

#	Theme	Workstream	Activity	Phase	Activity Sign-Off Date
9	Risk & Compliance Management	WS8	8.1.7	Embed	21 July 2023
10		WS9	9.1.2	Implement	7 September 2023
11			9.2.3	Implement	25 July 2023
12			9.3.3	Implement	4 August 2023
13			9.4.2	Implement	25 September 2023
14		WS10	10.4.10	Embed	19 July 2023
15			10.5.3	Embed	13 July 2023
16			10.6.6	Embed	14 July 2023
17			10.7.3	Embed	28 September 2023
18		WS11	11.1.2	Implement	14 July 2023
19		WS12	12.1.3	Embed	25 August 2023
20	Conduct	WS13	13.1.5	Embed	20 July 2023
21			13.2.3a	Implement	25 July 2023
22			13.3.3	Embed	1 September 2023
23	Technology and Data Risk	WS15	15.3.3	Embed	7 July 2023
24			15.4.3	Embed	21 July 2023

4.2. Board Governance Theme Progress

During the Reporting Period, Promontory assessed three Board Risk Governance Activities as complete and effective. Promontory is currently assessing one Activity and one Deliverable for this Theme. As at the Reporting Date, a total of 28 of 30 Board Governance Theme Activities had been assessed as complete and effective.

At the Reporting Date, one activity for this Theme remains to be submitted to Promontory for assessment.

4.2.1. 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 CPS 510.

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 4.1: WS1 Activity Status
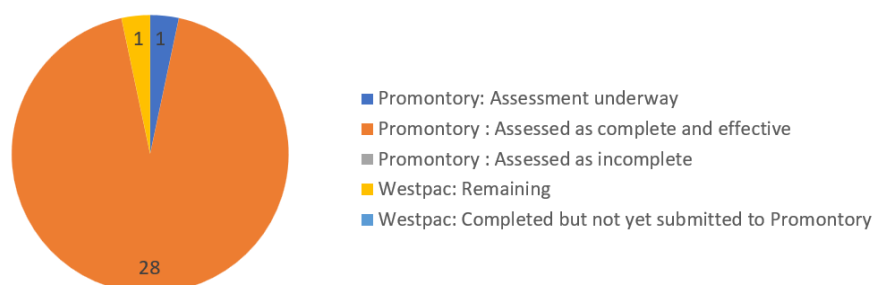
Table 4.2: WS1 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
1	Board Risk Governance	28	30
	Total	28	30

Assessment of Deliverable 1.3

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

Activity 1.3.3

Embed Activity 1.3.3 requires the BRiskC, Board Legal Risk and Compliance Committee[7] (**BLRCC**) and/or Board to provide continued oversight of the Group's RAS, including oversight of out-of-appetite risks through the Group's Risk Appetite Dashboards. It also requires the

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[7] Note this Committee is no longer in operation and has been rolled into existing Board Committees.

BRiskC to take the results of the investments decisions under Activity 1.1.3 into consideration in the review of the RAS and for the Board to approve the updated Group RAS.

The work performed under this Activity, included discussions held at BRiskC and/Board meetings on the Group RAS metrics and out-of-appetite risks in the Board Risk Appetite Dashboards.

Additionally, the BRiskC Charter and Board Charter incorporate approval of the Group RAS and the review and monitoring of the risk profile and controls of the Westpac Group for consistency with the Group RAS.

To take the results of the investments decisions under Activity 1.1.3, the Group RAS was scheduled for a further annual review and approval by the Board, on the recommendation of the BRiskC, in August 2023. As in prior years, the review of the RAS considered the Group strategy and related investment prioritisation decisions as it has been embedded in the annual process undertaken via Board touchpoints, to ensure alignment between Westpac's strategy and risk settings.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the actions the Board is taking as part of their oversight role to ensure risks are returned to appetite in accordance with the Group RAS and all associated methods for reporting to the Board and BRiskC.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that the BRiskC, BLRCC and/or Board (as appropriate) have demonstrated continued oversight of the Group's RAS and out-of-appetite risks through the Board's Risk Appetite Dashboards.

Promontory noted that, as part of our assessment of Deliverable 1.3, we will consider and assess the mechanisms for continuous improvement as well as the sustainability principles.

Assessment of Deliverable 1.4

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

Activity 1.4.3

Implement Activity 1.4.3 requires the BRiskC, BLRCC and/or Board (as appropriate) to oversee management's implementation of the Group's Risk Culture program in the Divisions and for the BRiskC to oversee the annual review of the Risk Culture Framework.

The work performed under this Activity, included discussions of the BRiskC and Board review of Westpac's risk culture based on the Risk Culture Self-Assessment results and Risk Culture Dashboard as well as progress made by Divisions in implementing the Risk Culture program. It also included discussions of BRiskC and/or Board oversight of the Risk Culture Workstream

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

30 October 2023

and other related inputs into Westpac's Risk Culture including the Risk Management Framework Maturity Assessment updates and the Voice+ survey results updates.

Additionally, there was work performed with respect to the BRiskC's oversight of the annual review of the Risk Culture Framework and the Board/BRiskC's consideration of APRA's Risk Culture Review.

After reviewing the Closure Pack for this Activity, Promontory requested further information on the actions the Board is taking as part of their oversight role of Westpac's risk culture through the Group's Risk Culture Program, including insights from the Annual Review of the Risk Culture Framework.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that the BRiskC, BLRCC and/or Board (as appropriate) have demonstrated: oversight of the review of Westpac's risk culture based on the Risk Culture Maturity Self-Assessment results and Risk Culture Dashboard; progress made by Divisions in implementing the Group's Risk Culture program; and annual review of the Risk Culture Framework.

Promontory noted that, as part of our assessment of Deliverable 1.4, we will consider and assess the following information with respect to the BRiskC:

- the Board's view on the progress of actions to uplift Westpac's risk culture;

- feedback from the Board to Management regarding their assessment of Westpac's risk culture and proposed actions to promote positive risk behaviours;

- areas for enhancements/improvements raised by the Board on the processes and tools, if any;

- evaluation of the quality of the reports by the Board to ensure they provide insights and inform robust discussions on risk culture; and

- an outline on the Board's approach to monitoring and overseeing the implementation of actions resulting from the outcomes of the Risk Culture program.

Assessment of Deliverable 1.6

Deliverable 1.6 requires the BRiskC, Board Remuneration Committee (**BRemC**) and/or Board to provide continued oversight of consequences for poor issues management and risks remaining out of appetite.

Activity 1.6.5

Embed Activity 1.6.5 requires the BRiskC, BRemC and/or Board (as appropriate) to provide continued oversight of consequence management for poor issues management, risks remaining out of appetite, and variable compensation at Executive level (addresses the findings identified in the ASIC review of governance practices in the exercise of board discretion on executive variable pay).

The work performed under this Activity, included embedding across the Board, BRemC and/or BRiskC:

- responsibilities for reviewing and approving Westpac's Consequence Management Framework, investigating the root causes of material risk matters to inform remuneration consequences, and determining the appropriate consequence to be applied (if any) for poor issues management and risks remaining out of appetite and for executive pay;

- a 'look back' process at executive level prior to equity vesting events;

- the application of Westpac's Consequence Management Framework and supporting guidelines to inform remuneration adjustments for poor issues management and risks remaining out of appetite; and

- enhancements to the CEO's performance review and other measures to inform executive pay decision making, such as the use of referrals between Board committees for the consideration of adjustments to the variable compensation of executives.

As part of reviewing the Closure Pack for this Activity, Promontory requested further information and the opportunity to observe at the BRiskC, and meet with the Chairs of the BRemC and BRiskC, to observe and discuss the embedment of the above matters and the continued oversight by the BRiskC, BRemC and/or Board of consequence management for poor issues management, risks remaining out of appetite and variable compensation at Executive Level.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac has demonstrated continued oversight of consequence management for poor issues management, risks remaining out of appetite, and variable compensation at Executive level.

Deliverable 1.6

As part of this Deliverable, Westpac reviewed, updated and approved the approach for variable compensation at the Executive level. The BRiskC, CRO and GE Financial Crime Compliance and Conduct (**FCC&C**) reviewed accountabilities for returning risks within risk appetite and the BRemC reviewed formalised processes related to variable compensation at the Executive level. These processes and accountabilities have been operationalised and the BRiskC, BRemC and/or Board have provided continued oversight of consequence management for poor issues management, risks remaining out of appetite and variable compensation at the Executive level.

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

4.3. Culture and Capability Theme Progress

During the Reporting Period, Promontory assessed five Culture and Capability Theme Activities as complete and effective. Promontory is currently assessing three Activities and two Deliverables for this Theme. As at the Reporting Date, a total of 105 of 116 Culture and Capability Theme Activities had been assessed as complete and effective.

At the Reporting Date, eight Activities for this Theme remain to be submitted to Promontory for Assessment.

4.3.1. 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, this Workstream has been closed as complete and effective.

Figure 4.2: WS2 Activity Status

■ Promontory: Assessment underway
■ Promontory : Assessed as complete and effective
■ Promontory : Assessed as incomplete
■ Westpac: Remaining
■ Westpac: Completed but not yet submitted to Promontory
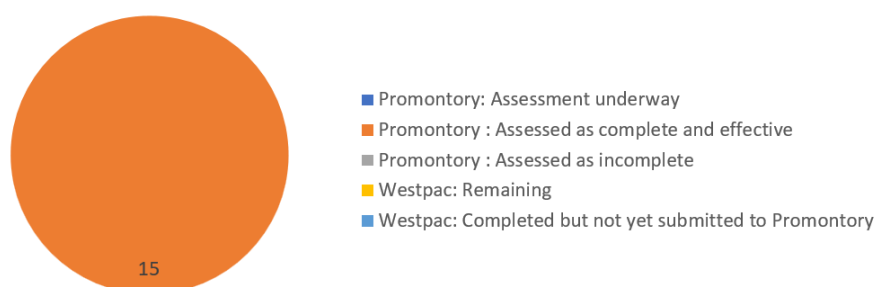
Table 4.3: WS2 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
2.1	Executive leadership culture and practices	3	3
2.2	Performance Management and Recognition Platform	3	3
2.3	Culture Measurement	3	3
2.4	Executive Capabilities	3	3

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

4.3.2. Workstream 3 – Risk Culture (WS3)

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

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

This Workstream has four Deliverables consisting of 25 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Amber, noting the short timeframes for embedment.

Figure 4.3: WS3 Activity Status

- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
- Promontory : Assessed as incomplete
- Westpac: Remaining
- Westpac: Completed but not yet submitted to Promontory
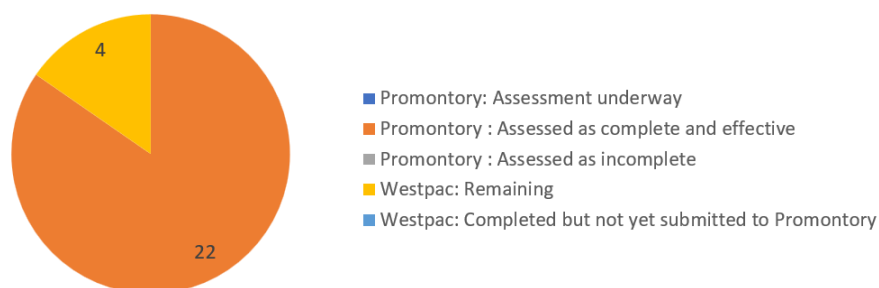
Table 4.4: WS3 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
3.1	Risk Culture Framework	5	6
3.2	Risk Culture Dashboard	4	5
3.3	Risk Culture Maturity Self-Assessment	8	9
3.4	Risk Culture Insights Program	5	6
	Total	22	26

Assessment of Deliverable 3.1

Deliverable 3.1 requires Westpac to establish 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 3.1.5

Implement Activity 3.1.5 requires Westpac to review the Risk Culture Framework to identify required changes to process and application to respond to the recommendations made by an external reviewer in February 2023 (outlined below), and for the FY22 annual review of the Framework to be conducted.

This Activity followed the external review conducted of Workstream 3 (see Promontory's previous reports), which considered Westpac's progress in meeting the objectives, outcomes and Deliverables for the Workstream and led to several observations and recommendations to uplift the Activities in the Workstream and to meet its objectives. Key recommendations in relation to the Risk Culture Framework included providing greater clarity on:

- the role of structural elements in the Risk Management Framework when measuring and managing risk culture and

- how the 15 behaviours in Westpac's Risk Culture Model fits in with organisational culture;

- steps that Divisions should take to operationalise the Framework.

Following this process this Activity was recast from an Embed Activity to an Implement Activity.

As part of this Activity, Westpac conducted an annual review of the Risk Culture Framework. This included updating the Risk Culture Framework with the refreshed Risk Culture Model. An updated process was implemented to monitor the embedment of the Framework. Updates were made to the Risk Culture Maturity Scale descriptions. References to the 3LoD Non-Financial Risk Target State Guide were added to ensure that roles and responsibilities across the 3LoD were well understood.

Based on our assessment of the Activity Closure Pack, we concluded that the process followed to review and revise the Risk Culture Framework was sound and comprehensive, supported by communication with Divisions of the remediation activities and outcomes.

Promontory noted that as part of our assessment of subsequent Activity 3.1.6, recognising the limited time available for embedment, we will consider and assess how well understood the revised Risk Culture Framework is in Divisions and how Divisions continue to mature their self-assessments and Action Plans using consistent and coherent risk reporting and aligned to the overall organisation's desired culture. We will also consider how thematic insights identified through the Risk Culture Framework and supported tools, lead to any particular actions to shift risk culture.

Assessment of Deliverable 3.2

Deliverable 3.2 requires the establishment of a Risk Culture Dashboard in each Division to enable a consistent approach to measuring, monitoring and reporting on risk culture at Divisional RiskCos (or equivalent) across the Group.

Activity 3.2.4

Implement Activity 3.2.4 requires Westpac to design, build and implement Risk Culture Dashboard capability for use by the Divisions, leveraging the Strategic Insights Platform (SIP). This Activity also required Westpac to develop and provide guidance to Divisions on how to use the Risk Culture Dashboard in SIP.

This Activity followed the external review conducted of Workstream 3 (see Promontory's previous reports), which considered Westpac's progress in meeting the objectives, outcomes and Deliverables for the Workstream and led to several observations and recommendations to uplift the Activities in the Workstream to meet its objectives. There were no targeted recommendations relating to the Risk Culture Dashboard, however there were broader relevant observations around the need to:

• facilitate ongoing Divisional feedback on Westpac's risk culture tools to help make them more usable for Divisions; and

• ensure guidance to support Divisions use of risk culture tools are aligned to the Risk Culture Framework about the role of structural elements (such as those in the Risk Management Framework) and organisational culture.

As part of this Activity, the Risk Culture Dashboard was integrated into SIP supported by communication and training to appropriate stakeholders within Divisions. Guidance materials were developed and distributed, with specific consideration given to ensuring that it articulated and addressed the relationship to structural elements and broader organisational culture.

Westpac's guidance sets out expectations in relation to risk culture reporting to support a consistent approach across Divisions that includes required reporting on a set of four minimum metrics. Promontory has observed evidence of these metrics being reported on across Divisional RiskCos on a regular cadence, however identified the following areas requiring improvement:

• inconsistencies in how this reporting was supplemented with commentary on potential drivers behind movements in metrics; and

• the link to divisional action plans intended to uplift risk behaviours.

After reviewing the Closure Pack for this Activity, Promontory requested to review more recent evidence of Divisional reporting, post the transition of the Risk Culture Dashboard into SIP. Promontory also met with the Workstream to discuss questions relating to the application of the guidance, how this was expected to be used and interpreted, and practical examples of

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

30 October 2023

how the Dashboard has linked to divisional action plans to shift risk behaviours and uplift risk culture.

Based on our assessment of the Activity Closure pack and the additional information we received, we concluded that while the Risk Culture Dashboard has been successfully transitioned to SIP and implemented across Divisions, there is a lack of consistency in the commentary reported alongside the metrics. Promontory also observed limited evidence around how the Dashboard is being used to 'actively monitor' and 'oversee' risk culture, in accordance with the Workstream Objectives, or any actions being derived from the use of the Dashboard and associated reporting.

Promontory noted that as part of our subsequent assessment of Deliverable 3.2, we will consider and assess:

- how the metrics produced as part of the Dashboard are being consistently reported and producing valuable and actionable risk culture insights at the Divisional, Group, and Board level, beyond the reporting on the minimum four metrics required by the guidance;

- the correlation between the risk culture insights derived from the monitoring of the Dashboard and reporting on broader thematic areas of focus to the Group RiskCo and Board RiskCo; and

- specific examples of how the Dashboard has been consistently and systematically embedded across the Group and Divisions to identify cultural strengths and areas for improvement.

Assessment of Deliverable 3.3

Deliverable 3.3 requires Westpac to establish an annual Risk Culture Maturity Self-Assessment (RCMSA) process completed by Divisions to determine year-on-year improvement in Divisions' risk culture maturity, identify gaps, and take actions in the Divisions to collectively move the Group towards Westpac's established target risk culture.

Activity 3.3.8

Implement Activity 3.3.8 requires Westpac's Divisions to have performed the FY22 annual repeat of the RCMSA and identified further improvement areas, and for the Bank to have an effective process in place at the Group Risk Culture level for Divisions to undertake the annual repeat of the RCMSA. The Activity also requires reporting of the RCMSA outcomes to the Divisional RiskCo, Group RiskCo and BRiskC and include them for consideration in the Board's annual Risk Management Declaration (where relevant). This Activity also required Westpac to develop guidance to support Divisions to uplift their development of risk culture actions to target behavioural shifts and root causes.

This Activity followed the external review conducted of Workstream 3 (see Promontory's previous reports), which considered Westpac's progress in meeting the objectives, outcomes and Deliverables for the Workstream and led to several observations and recommendations

to uplift the Activities in the Workstream and to meet its objectives. Following this process and as a result of Promontory's concerns in our previous assessments of Activities 3.3.6 and 3.3.7 (see previous Reports), this Activity was recast from an Embed Activity to an Implement Activity. The review also made a number of specific recommendations relevant to the RCMSA process, particularly related to the updates to be made to the self-assessment methodology and action plan oversight.

As part of this Activity, all Divisions undertook a RCMSA in FY22 with results reported to their Divisional RiskCo (or equivalent). The Divisional RCMSA results highlighting the changes from FY21 to FY22 were then reported to the Group RiskCo. Results were also included as part of a report to the BRiskC, which included a summary of the RCMSA maturity ratings against Westpac's five key behavioural elements. A PIR was also subsequently undertaken, and feedback was documented, including suggestions for future improvements such as simplifying assessment criteria.

Based on our assessment of the Activity Closure Pack we concluded that Westpac has implemented its RCMSA process and Divisions have performed the FY22 process and identified improvement areas. Promontory noted that as part of our assessment of subsequent Activity 3.3.9, we will consider and assess matters including how Westpac has demonstrated:

- during the RCSA FY23 if there were any key metrics identified for Divisional improvement and steps taken to address them while sharing lessons learned across Divisions;

- how the RCSA FY23 identified actions integrated into Divisional plans, contributing to the target risk culture maturity;

- a consistent approach to the measurement, monitoring and reporting of Risk Culture across its Divisions, including a consistent understanding within Divisions of key elements of the Risk Culture Framework, including its Risk Culture Model;

- sufficient capability and capacity to execute on the federated approach adopted with respect to Divisional (and LoB- level) measurement and monitoring of Risk Culture, and action planning to respond to identified weaknesses in risk culture; and

- sufficient capability and capacity in the central Line 2 Risk Culture team that holds responsibilities for the oversight of Divisional risk culture action plans, aggregating insights from Divisional monitoring and actions planning to report to the Group RiskCo and Board and executing on its Deep Dive Program.

Assessment of Deliverable 3.4

Deliverable 3.4 requires the establishment of a Risk Culture Insights Program and independent deep dives conducted across the Divisions and Group to identify key risk culture strengths and areas for improvements, with recommendations provided to the business area (Divisions and Business Units) to be actioned.

Activity 3.4.5

Implement Activity 3.4.5 requires the Group Risk Culture Team to execute on the FY22 forward plan for the Risk Culture Deep Dive Program across the Group and develop a Deep Dive Standard Operating Procedure.

This Activity followed the external review conducted of Workstream 3 (see Promontory's previous reports), which considered Westpac's progress in meeting the objectives, outcomes and Deliverables for the Workstream and led to several observations and recommendations to uplift the Activities in the Workstream and to meet its objectives. As part of this review, potential gaps were identified with:

- the activity undertaken during the FY22 cycle and FY23 planning, relating to the approval process and variances in methodology and approach for two deep dives (conducted externally); and

- how the Deep Dive methodology or insights related to Westpac's Risk Culture Model, Risk Culture maturity scale, structural elements of risk culture and organisational culture.

Westpac undertook remedial steps to address these issues and engaged closely with Promontory and the external reviewer to ensure these were appropriate. This included conducting two additional internal deep dives to ensure that the original commitment as per the FY22 forward plan was met.

Westpac completed nine deep dives in accordance with the original plan for FY22, each of which resulted in a Risk Culture Deep Dive Insights Report. The leadership team of each business area was taken through a playback of the findings to provide an opportunity to ask questions or seek clarification if needed. Business areas are expected to table key insights from their Risk Culture Deep Dive Insights Report, in addition to any relevant initiatives, at their Divisional RiskCos in the next available session after a Deep Dive is conducted in their business area. The Line 2 Risk Culture Team is responsible for identifying Group wide thematic insights to be reported to the Group RiskCo and Board.

As part of this Activity, Westpac also made enhancements to the existing Risk Culture Deep Dive procedure to address stakeholder feedback and adopted it as a Standard Operating Procedure. A Risk Culture Deep Dive Guide was also developed, with information on the importance of the Deep Dive Program, benefits of participation, engagement model, escalation and deferral process and roles and responsibilities.

Based on our assessment of the Activity Closure pack and the additional information we received, we concluded that while the Risk Culture Deep Dive Program has made progress in various areas, such as increasing understanding and improving awareness of risk culture, there are certain issues related to structural support, data quality, decision-making, and information that require further consideration.

Promontory noted that as part of our assessment of the subsequent Activity 3.4.6, we will:

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

30 October 2023

- look for evidence and specific examples of how the Risk Culture Deep Dive Program has been systematically embedded and operationalised across the Group and Divisions to consistently identify cultural strengths and areas for improvement; and

- consider how recommendations resulting from the Deep Dives are effectively integrated into Business Unit's Action Plans, and the mechanisms in place to ensure that these recommendations are consistently acted upon. As part of this, we will assess how themes identified in Deep Dive Insights Reports are translated beyond the relevant LoB or Business Unit into Divisional, Group and Board reporting, and the extent to which they are producing valuable and actionable insights towards uplifting risk culture within Westpac.

4.3.3. 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, this Workstream has been closed as complete and effective.

Figure 4.4: WS4 Activity Status

- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
- Promontory : Assessed as incomplete
- Westpac: Remaining
- Westpac: Completed but not yet submitted to Promontory

Table 4.5: WS4 Deliverables Progress

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

Assessment of Deliverable 4.4

Deliverable 4.4 relates to making decisions and engaging across roles, including developing decision-making architecture that provides tools and guidance to embed decision-making into behaviours across the 3LOD.

Activity 4.4.3

Embed Activity 4.4.3 requires the expansion of the Frameworks and Policies Management Policy (FPMP) to capture policies in scope to clarify Policy Owner accountabilities. It also requires review of the effectiveness (and Divisional uptake) of tools to assist decision making and demonstrate how these tools remove roadblocks to good decision making. Where required, identifying actions to address gaps.

The work performed under this Activity, included expansion of the FPMP to apply to all Policies and provides consistent guidance across Westpac to ensure Policy Owners are clear on their accountabilities. Policy details are captured in a central Policy Register, including the accountable owner.

Decision making tools have been reviewed for effectiveness and updated to address any gaps based on feedback, focusing on the themes of simplification, uplifting decision-making tools, and strengthening embedment and automation solutions. The majority of divisional actions had been completed by 28 February 2023 and remaining open actions included in Divisional Action Plans with a BAU owner and specified due date.

After reviewing the Closure Pack for this Activity, Promontory requested further information on how the FPMP was complied with, including controls put in place, the policy handover process, and the governance process for frameworks and policies.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac has a process in place to review the effectiveness (and Divisional uptake) of tools to assist decision making and remove associated roadblocks; and that the FPMP has been updated to capture policies in scope.

Promontory noted that, as part of our assessment of Deliverable 4.4, we will consider and assess the metrics or measures that are available, or could be implemented, to provide

insights into the effectiveness of the tools in promoting good decision-making, or into whether Divisions are exhibiting improved decision-making. Promontory also requested that a copy of the outcomes from the next scheduled review of the FPMP (June 2023) be provided as part of the Deliverable closure material as evidence of the sustainability of the outcomes of this Workstream.

Deliverable 4.4

As part of this Deliverable, Westpac included additional metrics to demonstrate that Divisions are exhibiting improved decision-making. The metrics are measured by specific questions incorporated into the Voice+ survey. In addition, Westpac provided the updated Risk Document Review Procedure which includes the assessment of compliance of policies with the FPMP.

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

4.3.4. Workstream 5 – Remuneration & 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, this Workstream has been closed as complete and effective.
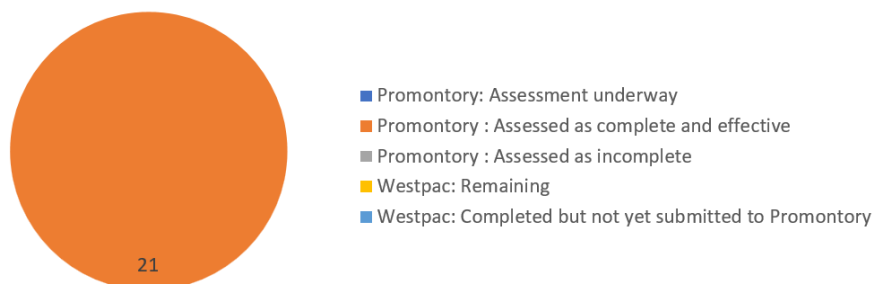
Figure 4.5: WS5 Activity Status

- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
- Promontory : Assessed as incomplete
- Westpac: Remaining
- Westpac: Completed but not yet submitted to Promontory

Table 4.6: WS5 Deliverables Progress

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

4.3.5. 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 Risk Management Framework (RMF) and alignment with the 3LOD target model.

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

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

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

Figure 4.6: WS6 Activity Status

Legend:
- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
- Promontory : Assessed as incomplete
- Westpac: Remaining
- Westpac: Completed but not yet submitted to Promontory

Assessment of Deliverable 6.6

Deliverable 6.6 relates to improved risk capability through delivery of the Risk Fundamentals program.

Deliverable 6.6

As part of this Deliverable, Westpac provided information on the outcome of the Masterclasses conducted, which we had requested as a follow-up item as part of Embed Activity 6.6.4.

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

Table 4.7: WS6 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
6.1	Organisational structure in the Second Line	5	7
6.2	Risk capacity across the 3LoD	4	5
6.3	Risk capability in the Second Line	3	4
6.4	Risk capability in the First Line	5	6
6.5	Risk capability assessment	2	3
6.6	Risk Fundamentals	4	4
6.7	Risk Knowledge Management Chatbot ('Risk Assist')	4	5
6.8	Risk reporting tools and capabilities	3	3
	Total	30	37

4.4.   Transformation Capability and Delivery Theme Progress

Promontory did not close any Transformation Capability and Delivery Theme Activities during the Reporting Period. Promontory is currently assessing four Activities and three Deliverables for this Theme. As at the Reporting Date, a total of 25 of the 33 Transformation Capability and Delivery Theme Activities had been assessed as complete and effective.

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

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

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

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

This Workstream has seven Deliverables consisting of 33 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Amber due to the short timeframes for embedment.

Figure 4.7: WS7 Activity Status

- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
- Promontory : Assessed as incomplete
- Westpac: Remaining
- Westpac: Completed but not yet submitted to Promontory

Table 4.8: WS7 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
7.1	Enterprise investment prioritisation reporting and submissions	3	4
7.2	Enterprise change oversight (incl. committees and Line 2 role)	3	4
7.3	Transformation governance and delivery standards	2	4
7.4	Transformation capability	2	3
7.5	Risk in Change accountabilities and training	4	5
7.6	Risk in Change practices	5	6
7.7	Risk in Change reporting	6	7
	Total	25	33

4.5. Risk and Compliance Management Theme Progress

During the Reporting Period, Promontory assessed 11 Risk and Compliance management Theme Activities as complete and effective. Promontory is currently assessing four Activities and four Deliverables for this Theme. As at the Reporting Date, a total of 89 of the 103 Risk and Compliance Management Theme Activities had been assessed as complete and effective.

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

4.5.1. Workstream 8 – Risk Management Framework (WS8)

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

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

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

Figure 4.8: WS8 Activity Status

- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
- Promontory : Assessed as incomplete
- Westpac: Remaining
- Westpac: Completed but not yet submitted to Promontory

Table 4.9: WS8 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
8.1	Risk Management Frameworks and 3LoD	7	7
8.2	Group and Divisional RAS	4	5
8.3	Risk Policy management	5	5
8.4	Reputation Risk and Sustainability Risk	3	4
8.5	Emerging Risks	2	3
8.6	Risk Committees	2	3
8.7	ERM Dashboard	3	3
8.8	Prudential Governance Framework	2	3
	Total	28	33

Assessment of Deliverable 8.1

Deliverable 8.1 requires RMF to be updated to align to the target-state 3LOD model and the new Risk Taxonomy, and to incorporate changes from other CORE Program Workstreams into the RMF.

Activity 8.1.7

Embed Activity 8.1.7 requires the embedment of the governance process for the RMF and Risk Management Strategy (**RMS**), along with a governance mechanism to maintain the 3LOD target state models and guides.

As part of this Activity, Westpac embedded the governance process for the annual review of the RMF and RMS and a mechanism to maintain the 3LoD target state models and guides. The governance principles and practices for the annual review and approval of RMF and RMS were integrated into the Board and BRiskC Charters and the Group RiskCo Terms of Reference.

Monitoring of the RMF and RMS has been achieved through the Enterprise Risk Management (ERM) Dashboard which measures the effectiveness of the implementation and embedment across the Group and includes review of the RMF Maturity Assessment results.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had taken appropriate steps to develop and embed a process to review and monitor the Group RMF and RMS, along with a governance mechanism to maintain the 3LOD target state models and guides.

Deliverable 8.1

As part of this Deliverable, Westpac updated the RMF and RMS to reflect CORE Activities and designed and implemented 3LOD Risk Class Target State guides for all Level 1 Risks in the Group Risk Taxonomy with supporting governance mechanisms.

The RMF and RMS were operationalised and include governance mechanisms to ensure completion of Annual Reviews and the maintenance and refresh of the RMS and RMF.

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

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

WS9 relates to non-financial risk reporting and JUNO (Westpac's integrated risk and compliance system) functionality. The objective of WS9 as set out in the Integrated Plan is that:

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

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

Figure 4.9: WS9 Activity Status

Legend:
- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
- Promontory : Assessed as incomplete
- Westpac: Remaining
- Westpac: Completed but not yet submitted to Promontory

Table 4.10: WS9 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
9.1	NFR infrastructure, analytics, and reports	2	3
9.2	JUNO functionality upgrade	3	4
9.3	JUNO data quality and support model	3	4
9.4	Risk and Control Assessment Automation	2	3
	Total	10	14

Assessment of Deliverable 9.1

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

Activity 9.1.2

Implement Activity 9.1.2 requires Westpac to implement uplifted NFR reporting capability that provides consistent and targeted data and insights, including changes introduced on risks, value chains, controls, obligations, and prudential obligations. In addition, implementation requires the use of the NFR reporting in relevant committees and forums to drive actions.

The work performed under this Activity included uplifting data and analytics reporting capability via the Bank's Strategic Insights Platform (**SIP**). The reporting produced under this Activity includes the:

- NFR Executive Report utilised the BRiskC, Group RiskCo and Divisional RiskCos; and
- NFR Group Report which supplements the NFR Executive Report.

The reports were tabled at relevant committees and have been used to support decision making and determining management actions. In addition, JUNO enhancements were made to support the reporting of compliance and prudential obligations to committees.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding ongoing capability and resourcing for SIP as well as the use of metrics to assess the broader control environment.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, as well as further discussions with Westpac, we concluded that the Westpac has uplifted the Group and the Divisional NFR reporting and dashboards. We also noted that there are opportunities for Westpac (during embedment) to further enhance the reporting especially in relation to the broader control environment and to continue to seek and address user feedback.

Assessment of Deliverable 9.2

Deliverable 9.2 relates to the continued evolution of JUNO functionality to support the maturity of risk and compliance practices, including improvements in functionality for issues, incidents, obligations and controls management.

Activity 9.2.3

Implement Activity 9.2.3 requires Westpac to progressively implement the first tranche of changes and functionality upgrades to JUNO in line with the prioritised changes in the endorsed JUNO roadmap.

Tranche 1 of changes to JUNO comprised a total of 19 releases implemented to support the delivery outcomes of WS9 and other CORE Workstreams enhancing JUNO functionality across risk, value chains, issues, incidents, obligations, prudential obligations and controls management. Additionally, 15 new or enhanced SIP dashboards were introduced.

A number of changes were made to the JUNO Change Governance Model, aimed at improving process efficiencies and to align with the evolving business environment. Briefing sessions were held to socialise the JUNO changes and support was provided to users.

After reviewing the Closure Pack for this Activity, Promontory requested further information on components of the Change Governance Model including feasibility assessments for proposed changes. Promontory also requested further evidence to support the operationalisation of the Change Governance Model.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that the prioritised JUNO functionality enhancements were delivered as per the roadmap and there is evidence to demonstrate compliance with the requirements for the Change Governance Model.

Assessment of Deliverable 9.3

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

Activity 9.3.3

Implement Activity 9.3.3 requires implementation of the second tranche of the enhanced Data Quality Reporting (DQR) tools and the JUNO support model in accordance with the defined data management standards, supported with other user guides and training.

The work performed under this Activity, included Divisions performing data quality reviews and implementing remedial actions with oversight by Divisional risk teams. Tranche 2 of the DQR tool was implemented and the JUNO and SIP support models were implemented, supported by standard operating procedures, guidance, training and communication. The design and implementation of new and enhanced controls were completed for the operational risk critical data elements identified during this Deliverable design phase.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews with Divisions to understand the approaches adopted by the different Divisions and second line for monitoring data quality.

Based on our assessment of the Activity Closure Pack and the additional information, we concluded that the DQR and reporting tools have been adopted and provide Westpac with a consistent view of data quality gaps. The JUNO support model has been implemented with adequate socialisation.

Promontory noted that, as part of our assessment of Deliverable 9.3, we will consider and assess the progress made to uplift JUNO data quality, the feedback and actions in relation to the DQR tools and data quality uplift process, and the outcome of any monitoring activities by WS9.

Assessment of Deliverable 9.4

Deliverable 9.4 requires that Westpac utilises an automated solution to enable key elements of the risk and control assessment process and for recording of outcomes. This is intended to improve efficiency and consistency of Risk and Controls Assessment policy application and reporting.

Activity 9.4.2

Implement Activity 9.4.2 requires Westpac to implement the technology solution, JUNO and SIP, that was designed in Activity 9.4.1, and utilise it in completing key elements of the risk and control assessments as part of the quarterly risk profile refresh process.

The work performed under this Activity, included monitoring Divisional maintenance of risk and control assessment data within JUNO, and enhancing system functionality in JUNO and SIP to support proactive risk management. Examples of enhancements include the ability to generate Delta Reports through SIP, which enables users to monitor and review Risk Profile changes. The Workstream also updated existing guidance materials to support the use of the enhanced technology solutions in the risk profile refresh process, which were accompanied by related training and communications.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac has made appropriate enhancements to JUNO and SIP functionality since the Design phase, accompanied by change management activities. We also concluded that the technology solutions have been implemented and are being utilised by the Divisions and Functions to maintain their Risk Profiles as part of the quarterly risk profile refresh process.

Promontory noted that, as part of our assessment of Activity 9.4.3, we will consider and assess feedback on the enhanced SIP and JUNO functionality, including whether enhancements remain fit for purpose, and the effectiveness of the use of JUNO by the LoBs, functions and Divisions as part of the annual risk profile refresh.

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

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

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

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

Figure 4.10: WS10 Activity Status

Table 4.11: WS10 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
10.1	Risk assessment and Value Chains	6	7
10.2	Group Controls Library	6	8
10.3	Controls self-assessment	3	4
10.4	Issues management	10	10
10.5	Incident management	3	3
10.6	Root cause analysis	6	6
10.7	Value Chain Maintenance solution	3	3
	Total	**37**	**41**

Assessment of Deliverable 10.4

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

Activity 10.4.10

Embed Activity 10.4.10 requires Westpac to embed the revised Issue and Action Management Policy and Guidance, and associated governance over policy compliance. This includes the requirement for discussion of high-rated issues at Divisional RiskCos and tracking of action plans to remediate issues. This Activity also requires continued enhancement of end-to-end reporting of issues with metrics for each stage of the issues management lifecycle.

The work performed under this Activity, included embedding revised the Issue and Action Management Policy to ensure effective end to end oversight of issues management and

providing updates via First Line and Second Line quarterly reports to the Divisional and LoB RiskCos.

Updates on high-rated issues and action plans are tabled for discussion during the governance committee meetings. Monitoring by Line 2 and the Policy owner was conducted and thematic observations were captured. Group Audit also identified thematic areas for improvement and reported the observations to the relevant governance committees. Enhancements to JUNO and SIP reports were delivered to further enable the management and reporting of issues across their lifecycle.

After reviewing the Closure Pack for this Activity, Promontory requested further information on policy exemptions and metrics for issues management. Promontory also reviewed a sample of issues across Westpac and conducted walkthroughs with the issue owners to evidence their management in accordance with Policy requirements.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac has effective mechanisms in place to support the management of issues as required by the Policy and to provide reporting to the respective RiskCos and governance committees.

Assessment of Deliverable 10.5

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

Activity 10.5.3

Embed Activity 10.5.3 requires Westpac to embed the Incident Management Policy and associated governance over policy compliance and improve the end-to-end monitoring, reporting and governance of incidents over their lifecycle.

The work performed under this Activity involved the continued embedment of incident management and governance practices within BAU, including continued updates and refinements to the Incident Management Policy and Guidance, updates to the Risk Assist chatbot in accordance with changes in Policy, improvements in JUNO functionality supporting the Incident Management process and further integration of the NFR Dashboards, which include key incident management metrics, within Divisional RiskCos. The formalisation of Line 2 monitoring of incidents continued to evolve through the development of formal Divisional CRO Monitoring Plans.

After reviewing the Closure Pack for this Activity, Promontory requested further evidence in relation to the timeliness and quality of incident management across the Bank. We conducted interviews with a range of First and Second Line stakeholders to better understand the effectiveness of Divisional approaches to incident management and monitoring.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac has embedded incident management processes at the Divisional and LoB levels in accordance with the Incident Management Policy.

Deliverable 10.5

As part of this Deliverable, Westpac reviewed its end-to-end practices for incident management, uplifted its Incident Management Policy and associated guidance, improved functionality in supporting systems including JUNO and SIP, and implemented these practices throughout the Group. Throughout the Deliverable, clear improvements have been made in the timeliness of incident recording, ownership and closure, with improved oversight and monitoring by both the First and Second Line.

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

Assessment of Deliverable 10.6

Deliverable 10.6 requires strengthened capability for Root Cause Analysis (RCA) and learning lessons to support issues and incidents management. To support the application of RCA in Divisions, a group of RCA practice leaders is to be established to investigate major incidents and systemic/thematic issues.

Activity 10.6.6

Embed Activity 10.6.6 requires Westpac to embed the sustained identification, remediation and governance of systemic/thematic issues, supported by RCA processes, responsibilities and training. Additionally, this Activity requires Westpac to develop and embed a mechanism for RCA learnings to be considered in the broader risk management and risk governance processes.

The work performed under this Activity included providing training to all RCA practice leaders and analysts, and the inclusion of specific role descriptions and accountabilities in the Statements of Accountability (for practice leaders) and Motivate Goals (for analysis). The RCA Analysis Hub (launched during the implementation phase) was maintained throughout embedment. Enhancements to JUNO were also delivered to enable a consistent approach to recording, reporting, analysis and oversight of RCA activities. To share lessons learned, a number of mechanisms were developed through implementation and reinforced in embedment. This includes quarterly Group RCA Forums, Divisional level RCA forums and lessons learned are also tabled at relevant Divisional RiskCo meetings.

After reviewing the Closure Pack for this Activity, Promontory requested further information and the opportunity to observe at the Group RCA Forum as well as a number of Divisional forums. We were particularly interested in understanding the embedment of consistent practices, the depth of analysis and sharing of lessons.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that the Westpac has effective mechanisms in place to ensure that processes for identification, remediation and governance of systemic/thematic issues, supported by RCA processes, have been embedded. Mechanisms are also in place to share lessons learned.

Deliverable 10.6

As part of this Deliverable, Westpac developed and embedded RCA Guidance, processes to consistently perform investigations of relevant issues and incidents, and established a cohort of practice leaders and RCA analysts. A Group and, where relevant, Divisional RCA Forums were established and JUNO functionality to support the RCA processes for identification, remediation and governance of systemic/thematic issues is operational.

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

Assessment of Deliverable 10.7

Deliverable 10.7 requires Westpac to develop solutions to enable Value Chain (VC) owners and LoBs to maintain their VC and data more efficiently and effectively.

Activity 10.7.3

Embed Activity 10.7.3 requires Westpac to embed the VC-Change Request Management (VC-CRM) solution into processes in Divisions/LoBs to connect applicable Front Doors of Change (FDoCs) to relevant parts of the VC to ensure change impacts are managed effectively.

The work performed under this Activity included embedding the VC-CRM solution to support the timely and effective communication of changes impacting VCs. All VC's were integrated with all FDoC for customer facing LoBs. Additionally, four enabling services were onboarded onto the solution, with the remaining five to be onboarded by June 2024. The embedment of the VC-CRM solution also included reporting to the relevant management and governance forums to evidence how change initiatives are being progressed and monitored.

Based on our assessment of the Activity Closure Pack and the supporting evidence provided, we concluded that the VC-CRM solution is being used effectively by Divisions and LoBs to identify and initiate changes (where relevant) to their VC. The solution has enabled increased transparency, consistency and governance across VC management. The VC-CRM help desk will help to ensure sustainable management of the solution in BAU.

Deliverable 10.7

As part of this Deliverable, Westpac developed and embedded the VC-CRM solution, enabling VC owners/LoBs to have visibility of proposed changes potentially impacting their VC. It

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

30 October 2023

supports processes and reporting enhancements and integrates with existing FDoCs through which changes are communicated to VC teams. The integration of the VC-CRM with FDoCs for all customer facing VCs facilitates notifications to be sent to the relevant FDoC so that VC owners have visibility of potential changes, can engage appropriate stakeholders and determine whether any impacts need to be considered for their VC. Consideration, progress and implementation of changes (if appliable) are captured through the VC-CRM and used in reporting to relevant forums.

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

4.5.4. Workstream 11 – Assurance (WS11)

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

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

This Workstream has one Deliverable consisting of three Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Green.
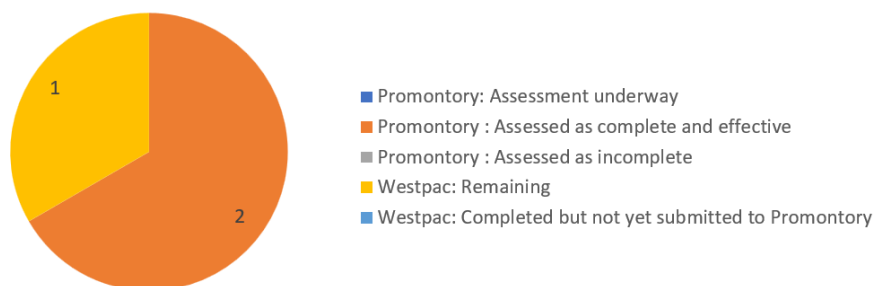
Figure 4.11: WS11 Activity Status

- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
- Promontory : Assessed as incomplete
- Westpac: Remaining
- Westpac: Completed but not yet submitted to Promontory

Table 4.12: WS11 Deliverable Progress

#	Deliverable	Closed Activities	Total Activities
11.1	Assurance	2	3
	Total	2	3

Assessment of Deliverable 11.1

Deliverable 11.1 requires Westpac to establish an assurance operating model that aligns coverage, approach and planning across the 3LOD. This also requires clear and differentiated roles and responsibilities, areas of reliance and a stronger 'voice of assurance' across Line 2 and Line 3.

Activity 11.1.2

Implement Activity 11.1.2 requires Westpac to implement revised assurance methodology, roles and responsibilities, and reporting. Additionally, the FY23 Coordinated Assurance Plan for Second and Third Line is to be created and approved by the relevant governance body or accountable executive.

The work performed under this Activity included:

- development and approval of Line 2 and Line 3 annual assurance plans for FY23;

- execution of the assurance plans from October 2022 to March 2023, including reporting and approving plan adjustments;

- Line 2 Assurance Practice Management conducted quality assessments of Line 2 assurance practices across Q1 FY23 and Q2 FY23;

- Line 1 Quality Reviews were conducted in Q1FY23, including subsequent quarterly reporting; and

- independent Line 2 review and feedback was obtained on the Line 1 Quality Review practices from Q1FY23.

Based on our assessment of the Activity Closure Pack and supporting documentation we received, we concluded that the revised assurance methodology, roles and responsibilities, and reporting has been implemented by Westpac. Additionally, the FY23 Coordinated Assurance Plan for Line 2 and Line 3 has been created and approved.

Promontory noted, that as part of the embed activity for Deliverable 11.1, we will consider, amongst other things, the effective embedment of Quality Reviews, independent assurance of the control environment (for in scope areas), actions taken to ensure consistency of practice, the ongoing sufficiency of resourcing and capability in accordance with the sustainability principles.

4.5.5. 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 this Workstream has been closed as complete and effective.

Figure 4.12: WS12 Activity Status

- ■ Promontory: Assessment underway
- ■ Promontory : Assessed as complete and effective
- ■ Promontory : Assessed as incomplete
- ■ Westpac: Remaining
- ■ Westpac: Completed but not yet submitted to Promontory

Table 4.13: WS12 Deliverables Progress

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

Assessment of Deliverable 12.1

Deliverable 12.1 requires the implementation of consistent governance across different risk class obligations libraries including the requirement for relevant Library Owners to review respective libraries to evidence compliance with governance and completeness of library. Note that the Activities within this Deliverable do not include Prudential Obligations, which are managed under Deliverable 8.8.

Activity 12.1.3

Embed Activity 12.1.3 requires Westpac to embed the Obligation Library policy (OLP), Obligations Management policy (OMP) and regular reporting on maintenance, completeness and consistency, and use of obligations libraries.

The work performed under this Activity centred around consistent governance, completeness and traceability of obligations libraries to support longer term sustainability and integration of obligations into the broader non-financial risk management approach.

Governance and oversight mechanisms established during implementation continued to monitor the embedment of the OLP and OMP and identify opportunities for improvement. Regular meetings were held with key stakeholders across the Group to share continuous improvement insights, and policy clarification and quarterly reviews were conducted across all obligation libraries to monitor compliance with policy requirements. The Obligations Dashboard has been refined and is available to relevant stakeholders, including Library Owners, BCM, Compliance Advisors and Line 2 Divisional Compliance, to track performance on all key obligations management metrics. Obligations libraries were reviewed for accuracy and completeness in line with their biennial schedule and a Post Implementation Review was conducted and actions to address the recommendations were implemented. The NFR Dashboard include metrics to monitor the use of obligations in risk profiles and is tabled at various Divisions/LoBs and Group Committees where relevant.

After reviewing the Closure Pack for this Activity, Promontory requested further information relating to the governance and oversight mechanisms, the process to consolidate continuous improvement insights from various sources and the coordination of remedial actions. Promontory also requested further information on the effectiveness of the monitoring process via the dashboards.

Based on our assessment of the Activity Closure Pack and the additional information received, Promontory concluded that Westpac has effective mechanisms in place to monitor the accuracy and completeness of the obligation libraries and their compliance with the OLP and OMP.

Deliverable 12.1

As part of this Deliverable, Westpac developed and implemented the OLP which established consistent governance and approach to maintaining obligation libraries, and the OMP which provides the framework for the management of obligations within Westpac and supports the Risk and Control Assessment Policy and processes including the maintenance of Risk Profiles thereby improving end-to-end obligations management practices.

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

4.6. Conduct Theme Progress

During the Reporting Period, Promontory assessed three Conduct Risk Theme Activities as complete and effective. Promontory is currently assessing one Deliverable for this Theme. As at the Reporting Date, a total of 14 of 16 Conduct Risk Theme Activities had been assessed as complete and effective.

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

4.6.1. Workstream 13 – Conduct Risk (WS13)

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

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

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

Figure 4.13: WS13 Activity Status

Table 4.14: WS13 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
13.1	New Code of Conduct	5	5
13.2	Conduct Risk training and guidelines	4	5
13.3	Conduct Risk 3LoD target operating model	3	3

#	Deliverable	Closed Activities	Total Activities
13.4	Conduct Risk assessment and reporting	2	3
	Total	14	16

Assessment of Deliverable 13.1

Deliverable 13.1 relates to the establishment and roll out of the new Code of Conduct which houses the 'Should We?' test as the key policy platform that explains Conduct Risk expectations in plain language to resonate with all employees.

Activity 13.1.5

Embed Activity 13.1.5 requires Westpac to embed a process for the periodic review (and where applicable, revision and approval) of the Code of Conduct, and key Conduct related policies as determined by the Chief Compliance Officer Conduct.

The work performed under this Activity, included:

- development of a standard operating procedure that sets out the process for reviewing and updating the Code of Conduct, supported by a control;

- completing a biennial review of the Code of Conduct, and following the standard operating procedure with respect to reviewing and releasing the updated Code; and

- reviewing policies referenced in the Code of Conduct to ensure that they remain aligned to the revised Code.

After reviewing the Closure Pack for this Activity, Promontory requested further information about the completion and approvals relating to the biennial review of the Code of Conduct in line with the standard operating procedure.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac has an effective standard operating procedure to support the periodic review of the Code of Conduct and policies referenced in the Code.

Deliverable 13.1

As part of this Deliverable, Westpac established and updated a Code of Conduct as the key policy platform that explains Conduct Risk expectations in plain language, and includes the 'Should We?' test. Westpac also established a process and control to support future reviews and updates to its Code of Conduct and associated policies.

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

Assessment of Deliverable 13.2

Deliverable 13.2 requires Westpac to establish a conduct risk training program and guidelines to raise awareness in Divisions, senior management and Board for conduct risk, and for this to be integrated within existing mechanisms.

Activity 13.2.3a

Implement Activity 13.2.3a requires Westpac to implement changes to policy requirements arising from Deliverable 13.1 within applicable Conduct Risk Guidelines, with appropriate communications and training. This Activity was introduced in response to issues raised by Promontory in its assessment of Activities 13.2.2 and 13.2.3 and related to the need for a consistent review of the Guidelines associated with the 31 Code Policies that have been uplifted in Deliverable 13.2 to align with the Code of Conduct, along with any associated uplifts required.

As part of this Activity, Westpac conducted a review of Code Policies (under Deliverable 13.1), which resulted in the introduction or amendment of 30 policy requirements across 21 policies. The review of Key Guidelines resulted in updates to eight Key Guidelines relating to seven policies and five updates to 'other guidelines' relating to seven policies. The Code of Conduct Policy Review Procedure has been updated to ensure that changes to Code Policy requirements arising from the review of the Code of Conduct Policy Checklist result in updates to Guidelines and training where necessary.

After reviewing the Closure Pack for this Activity, Promontory requested additional information in relation to the updates being made to training modules and the completion rates for the Conduct Risk Leader-Led Playbook, which includes Divisional specific scenarios requiring application of the 'Should We?' test. Promontory also requested additional evidence including a sample of Guidelines and associated communication and training which have been updated. In response, Westpac committed to adding a disclaimer to the eAcademy landing page for all applicable modules that have not yet been updated to incorporate the 'Should We?' test, and indicated that all team members have completed the Conduct Risk Leader-Led Playbook training.

Based on our assessment of the Activity Closure Pack and the additional evidence received, we concluded that Westpac had taken appropriate steps to implement changes to policy requirements within applicable Conduct Risk Guidelines, supported by communication and training. Promontory noted that as part of our assessment of subsequent Activity 13.2.4, we will consider and assess whether the disclaimer was added to the eAcademy landing page for the modules that had not yet been updated to incorporate the 'Should We?' test.

Assessment of Deliverable 13.3

Deliverable 13.3 requires Westpac to Identify and implement initiatives to improve Conduct Risk Maturity.

Activity 13.3.3

Embed Activity 13.3.3 requires Westpac to embed conduct risk maturity through the delivery of improvement activities (identified in implement Activity 13.3.2), and the establishment of ongoing governance.

The work performed under this Activity, included delivering ten improvement initiatives that were identified to aid the embedment of conduct risk maturity in the previous implement Activity 13.3.2. These initiatives were mapped to five drivers of conduct risk maturity being:

- conduct risk identification;

- culture, safety and leadership;

- reporting and governance of conduct risk;

- Westpac's Purpose, Values and Behaviours; and

- remuneration.

Westpac also developed a control to ensure the conduct risk maturity is performed every two years, with a post implementation review to be completed to inform its design each iteration.

After reviewing the Closure Pack for this Activity, Promontory requested further information and met with management from Westpac's Mortgages, Financial Markets and Customer Solutions business units. We were particularly interested in understanding the extent to which the conduct risk initiatives had been effectively embedded in their business units.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that conduct risk improvement activities are being delivered, underpinned by ongoing governance.

Promontory noted that, as part of our assessment of Deliverable 13.3, we will consider and assess the closure of dependencies with other CORE Activities that will contribute to achieving the objective of Workstream 13.

4.7.   Complaints Theme Progress

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

4.7.1. 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. This Workstream has now been closed.
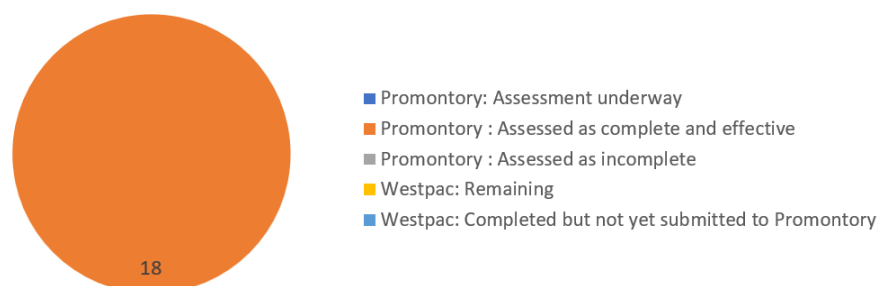
Figure 4.14: WS14 Activity Status

- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
- Promontory : Assessed as incomplete
- Westpac: Remaining
- Westpac: Completed but not yet submitted to Promontory

Table 4.15: WS14 Deliverables Progress

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

4.8.   Technology and Data Risk Theme Progress

During the Reporting Period Promontory assessed two Technology and Data Theme Activities as complete and effective. Promontory is currently assessing one Activity and one Deliverable for this Theme. As at the Reporting Date, a total of 23 of the 25 Technology and Data Theme Activities had been assessed as complete and effective.

As at the Reporting Date, one Activity remains to be submitted to Promontory for assessment.

4.8.1. 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, this Workstream has been closed as complete and effective.

Figure 4.15: WS15 Activity Status

- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
- Promontory : Assessed as incomplete
- Westpac: Remaining
- Westpac: Completed but not yet submitted to Promontory

Table 4.16: WS15 Deliverables Progress

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

Assessment of Deliverable 15.3

Deliverable 15.3 requires Westpac to define and document technology risk governance processes, including developing and delivering on multi-year technology roadmaps aligned to strategic, business, and risk considerations.

Activity 15.3.3

Embed Activity 15.3.3 requires Westpac to embed processes to manage and deliver ongoing Technology Execution Roadmaps (**Roadmaps**). This includes the integration of Roadmaps in the Quarterly Business Review (**QBR**) process demonstrating supported decisions for investment prioritisation and feedback to update Roadmaps.

The work performed under this Activity, included delivering continuous enhancements to the Roadmap methodology to support sustainability of the Roadmap development and refresh process. This consisted of simplifying templates, publishing additional guidance, and improving data capture. It also included strengthening quality assurance and review activities to ensure continuous delivery of Roadmaps align with documented guidance and support the right risk governance outcomes.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the integration of Roadmaps in the QBR process. Promontory sample tested seven Roadmaps, including supporting evidence of integration into the QBR process, and observed the April 2023 Group QBR session. Through this activity, Westpac was able to demonstrate the integration of Roadmaps in QBR activities for two quarters. The work performed under this activity also included embedding a process to ensure Roadmaps are updated to respond to QBR feedback.

Based on our assessment of the Activity Closure Pack and the additional information we received, we concluded that Westpac has effective mechanisms in place to ensure that processes to manage and deliver ongoing Roadmaps have been embedded. Mechanisms are also in place to support the integration of Roadmaps in the QBR process.

Deliverable 15.3

As part of this Deliverable, Westpac strengthened the existing Roadmap development and delivery processes by developing the Execution Roadmap Methodology and Roadmap template, which included the use of technology risk data to support risk-based decision-making. Westpac also enhanced governance and review processes to ensure ongoing improvement and quality of Roadmaps. Supported by WS 7, Westpac also enhanced the integration of Roadmaps into the QBR process to ensure they were considered as an input into investment prioritisation, and feedback was integrated into Roadmap updates.

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

Assessment of Deliverable 15.4

Deliverable 15.4 requires Westpac to Review, and enhance as required, existing technology risk reporting including information flows, with particular focus on assessment and measurement of risk against risk appetite.

Activity 15.4.3

Implement Activity 15.4.3 requires Westpac to embed the usage of the enhanced technology risk reporting developed in WS 15 across Divisional RiskCo meetings, and perform a review to ensure that the approach is consistent across Divisions and identify any areas of improvement.

As part of this Activity, the minimum requirements for Technology Risk Reporting into Divisional RiskCos, which are outlined in the Technology Risk Reporting Governance Runbook developed in Activity 15.4.1, were integrated by majority of the Divisions. Westpac performed an internal review of the papers and minutes for these Divisional RiskCos against the requirements in the Runbook, finding only two exceptions relating to the reporting of disaster recovery status which is not a mandatory requirement.

After reviewing the Closure Pack for this Activity, Promontory requested further information in relation to the linkages between the Service Risk Assessment process and the Technology Risk Reporting Platform (TRRP) and the quarterly release schedule for updates to the TRRP. Promontory also met with the CIOs of Westpac Institutional Bank and Group Business Units to gain their perspective on the management of technology risk reporting following the work conducted as part of the Program.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to embed the process of reporting technology risk into Divisional RiskCos and performed an adequate review to ensure consistency and identify any areas for improvement.

Deliverable 15.4

As part of this Deliverable, Westpac reviewed and updated to the supporting documentation for the Technology Risk reporting process. Divisional and LoB Leaders remain accountable for Technology Risk and for its management on a day-to-day basis, while the Corporate Services and Technology (CST) BCM team are accountable for the generation of Risk Committee reports with support from Line 2 Risk. The TRRP, which enables the delivery of enhanced reporting, has been transitioned to the CST BCM team and now operates as part of BAU.

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

4.8.2. 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.
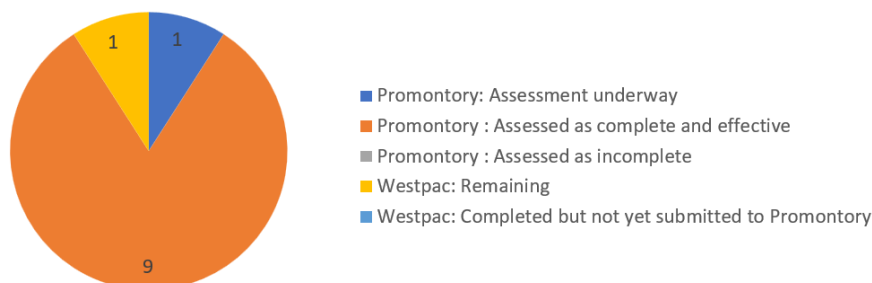
Figure 4.16: WS16 Activity Status

Legend:
- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
- Promontory : Assessed as incomplete
- Westpac: Remaining
- Westpac: Completed but not yet submitted to Promontory

Table 4.17: WS16 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
16.1	Data oversight and reporting	4	5
16.2	Tooling and execution	2	3
16.3	Incident definition and rating	3	3
	Total	9	11

Assessment of Deliverable 16.3

Deliverable 16.3 requires Westpac to implement a framework and definitions for defining and categorising data incidents for management.

Deliverable 16.3

As part of this Deliverable, Westpac implemented and continued to update the Data Incident Management Process (DIMP). This was supported by an internal review to gather stakeholder feedback, and an independent external review to determine the level of awareness of the DIPM across the organisation. This led to additional reinforcement activities across the group, and the identification of seven key enhancement areas which were addressed in Activity 16.3.3.

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

4.9.   Financial Risk Classes Theme Progress

Promontory did not close any Financial Risk Classes Theme Activities during the Reporting Period. Promontory is currently assessing one Activity for this Theme. As at the Reporting Date, eight of the 13 financial risk classes Theme Activities had been assessed as complete and effective.

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

30 October 2023

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

4.9.1. Workstream 17 – Credit Risk Governance (WS17)

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

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

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

Figure 4.17: WS17 Activity Status

- Promontory: Assessment underway
- Promontory : Assessed as complete and effective
- Promontory : Assessed as incomplete
- Westpac: Remaining
- Westpac: Completed but not yet submitted to Promontory

Table 4.18: WS17 Deliverable Progress

#	Deliverable	Closed Activities	Total Activities
17.1	Credit Risk governance	2	4
	Total	2	4

4.9.2. 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 Deliverable consisting of three Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Green.
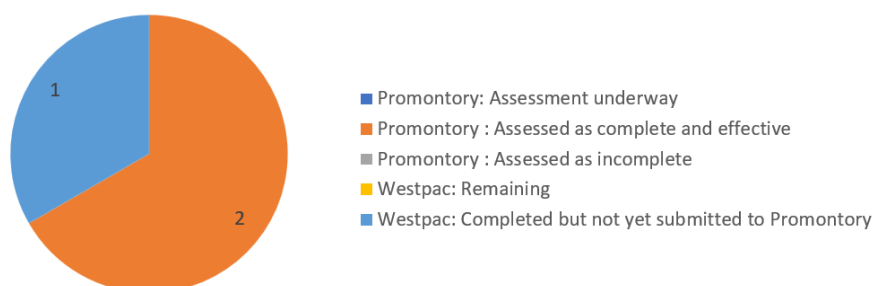
Figure 4.18: WS18 Activity Status

Table 4.19: WS18 Deliverable Progress

#	Deliverable	Closed Activities	Total Activities
18.1	Market Risk governance	2	3
	Total	2	3

4.9.3. 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 4.19: WS19 Activity Status

Table 4.20: WS19 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
19.1	Liquidity Risk governance	2	3
19.2	Capital Adequacy Risk governance	2	3
	Total	4	6

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79