

# Risk Management Strategy

<b>Document owner:</b>	Chief Executive Officer
<b>Last Board approval:</b>	4 August 2016
<b>Date last updated:</b>	4 August 2016
<b>Regulatory Affairs advised to submit approved version to APRA no later than:</b>	18 August 2016

# Table of contents

- 1. Overview..... 2
- 2. Risk Management Strategy governance..... 2
- 3. Definitions..... 3
  - 3.1 Material risks ..... 3
  - 3.2 Material deviations from the risk management framework..... 4
- 4. Risk management approach ..... 4
  - 4.1 The "Three Lines of Defence" approach to risk management ..... 4
  - 4.2 Risk appetite, strategy and business plan ..... 5
  - 4.3 Sound risk management and culture..... 6
  - 4.4 Risk and remuneration ..... 6
- 5. Roles and responsibilities ..... 6
  - 5.1 *The Three Lines of Defence* - roles and responsibilities..... 7
  - 5.2 Application to controlled subsidiaries ..... 8
- ATTACHMENT 1 Key Risk management documents ..... 9
- ATTACHMENT 2 Risk management governance structure ..... 12
- ATTACHMENT 3 Board governance framework ..... 14
- ATTACHMENT 4 Group-wide risk committee structure..... 15
- ATTACHMENT 5 Group structure ..... 16
- Document change history ..... 17

# 1. Overview

Westpac's vision is to be one of the world's great service companies, helping our customers, communities and people to prosper and grow.

Effective risk management including a sound risk culture is one of the keys to achieving our vision as it influences our customers' experiences, the public's perceptions, our financial performance, our reputation and our shareholders' expectations. It is critical to our future success. We regard managing risk as a core function performed at all levels of the Group.

In addition to setting the strategic direction of the Westpac Group, the Board is also responsible for the risk management framework. The risk management framework includes this Risk Management Strategy (RMS), the Westpac Group Risk Appetite Statement (RAS), the Board Strategy Review (BSR) and the Internal Capital Adequacy Assessment Process (ICAAP). The RMS supports the Westpac Group in achieving its strategic priorities by clearly articulating our approach to managing risk consistent with our risk appetite.

We adopt a Three Lines of Defence approach to risk management which reflects our culture of "risk is everyone's business" in which all employees are responsible for identifying and managing risk and operating within the Group's desired risk profile. Effective risk management enables us to:

- accurately measure our risk profile and balance risk and reward within our risk appetite, optimising financial growth opportunities and mitigating potential loss or damage;
- protect Westpac's depositors, policyholders and investors by maintaining a strong balance sheet;
- embed adequate controls to guard against excessive risk or undue risk concentration; and
- meet our regulatory and compliance obligations.

The Risk Management Strategy supports a holistic approach to risk management and sets out minimum standards for managing the key risks that apply to the Westpac Group as a conglomerate. Additional supporting risk-class frameworks and Group-wide risk policies that give effect to this strategy are established and maintained in line with our risk management governance structure and delegations from the Board (refer to Attachment 1 and 2 respectively).

The minimum standards outlined in this Risk Management Strategy apply to Westpac and all its controlled subsidiaries. Where there are additional requirements that apply to a controlled subsidiary it must apply Group-wide standards within the context of its own specific regulatory, fiduciary or legislative requirements (refer section 5.2).

## 2. Risk Management Strategy governance

The Risk Management Strategy is approved by the Board and reviewed by the Board Risk and Compliance Committee (BRCC) on an annual basis or more frequently where required by a material business or strategy change or a material change to the Group's risk profile. It is owned by the Chief Executive Officer (CEO).

The Risk Management Strategy addresses regulatory requirements of the Australian Prudential Regulatory Authority's (APRA) Cross-industry Prudential Standard (CPS) 220 Risk Management and Level 3 Prudential Standards and is submitted to APRA within 10 business days of Board approval.

## 3. Definitions

### 3.1 Material risks

Westpac distinguishes between different types of risk and takes an integrated approach toward identifying, assessing and managing all material risks including through the annual review of the Risk Management Strategy and the establishment of additional controls through supporting frameworks and policies. Our organisational risk management structure supports holistic risk management.

The Westpac Group's material risks are identified and evaluated as part of normal business operations and in response to changes in our business or in the external environment. The listing of the Group's material risks is reviewed as part of the annual review of this Risk Management Strategy, and the management of these risks is supported through the relevant risk management Frameworks and the Board Strategy Review. Refer to the frameworks as listed in Attachment 1 for further information on material risks.

Other risk management frameworks may also be established (e.g. Financial Crime); particularly for other risks that are material for entities within the conglomerate group (e.g. Insurance in Superannuation and Investment Governance in BT Financial Group).

Credit Risk	The risk of financial loss where a customer or counterparty fails to meet their financial obligations to Westpac.
Liquidity Risk	The risk that the Group will be unable to fund assets and meet obligations as they come due.
Market Risk	The risk of an adverse impact on earnings resulting from changes in market factors, such as foreign exchange rates, interest rates, commodity prices and equity prices. This includes interest rate risk in the banking book – the risk to interest income from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition is aligned to the regulatory (Basel II) definition, including legal and regulatory risk but excluding strategic and reputation risk.
Conduct Risk	The risk that our provision of services and products results in unsuitable or unfair outcomes for our stakeholders or undermines market integrity.
Compliance Risk	The risk of legal or regulatory sanction, financial or reputational loss, arising from our failure to abide by the compliance obligations required of us.
Business risk	The risk associated with the vulnerability of a line of business to changes in the business environment.
Sustainability Risk	The risk of reputational or financial loss due to failure to recognise or address material existing or emerging sustainability related environmental, social or governance issues.
Equity Risk	The potential for financial loss arising from movements in equity values. Equity risk may be direct, indirect or contingent.
Insurance Risk	The risk of mis-estimation of the expected cost of insured events, volatility in the number or severity of insured events, and mis-estimation of the cost of incurred claims.
Related Entity (contagion) Risk	The risk that problems arising in other Westpac Group members compromise the financial and operational position of the authorised deposit-taking institution in the Westpac Group.
Reputation Risk	The risk of the loss of reputation, stakeholder confidence, or public trust and standing.

## 3.2 Material deviations from the risk management framework

Westpac must notify APRA as soon as practicable, and no more than 10 business days, after it becomes aware of a significant breach of, or material deviation from, the risk management framework.

Key materiality indicators influencing whether a breach or deviation is considered material and the Board's annual CPS 220 declaration be qualified are set out in the Westpac Prudential Compliance Framework.

# 4. Risk management approach

Establishing and maintaining sound risk management processes is a key component of Westpac executing the Board's strategy while operating within our Board defined risk appetite. Our approach is detailed below.

## 4.1 The "Three Lines of Defence" approach to risk management

The key elements of the "Three Lines of Defence" approach to risk management are:

1 <sup>st</sup> Line	Divisional business units are responsible for identifying, evaluating and managing the risks that they originate within approved risk appetite and policies. They are required to establish and maintain appropriate risk management controls, resources and self-assurance processes.
2 <sup>nd</sup> Line	Our 2 <sup>nd</sup> Line of Defence is a separate risk and compliance advisory, control, assurance and monitoring function which establishes frameworks, policies, limits and processes for the management, monitoring and reporting of risk. The 2 <sup>nd</sup> line of Defence may approve risks outside the authorities granted to the 1 <sup>st</sup> Line, and evaluates and opines on the adequacy and effectiveness of 1 <sup>st</sup> Line controls and application of frameworks and policies and, where necessary, requires improvement and monitors the 1 <sup>st</sup> Line's progress toward remediation of identified deficiencies.
3 <sup>rd</sup> Line	Group Audit is an independent assurance function that evaluates and opines on the adequacy and effectiveness of both 1 <sup>st</sup> and 2 <sup>nd</sup> line risk management approaches and tracks remediation progress, with the aim of providing the Board, and senior executive, with comfort that the Group's governance, risk management and internal controls are operating effectively.

Our overall risk management approach is summarised in the following diagram:



## 4.2 Risk appetite, strategy and business plan

The Westpac Group's business plan is comprised of the following two elements:

- the **Board Strategy Review (BSR)**, which outlines the strategic priorities for the Group on a three year rolling basis with plans and targets; and
- the **Annual Financial Targets** presented to the Board prior to the commencement of the following financial year.

As part of the annual BSR process the Board considers the material risks associated with strategic objectives/ business plans and the impact our strategic objectives/ business plans may have on our risk profile and appetite.

The risks from the initiatives implemented to achieve our strategic priorities are managed in accordance with the RMS and discussed as part of the BSR process. Where the risk falls outside of the Westpac Group's approved risk tolerance or risk appetite, controls are implemented to lower, or mitigate, the risk to within an acceptable range.

The Board, in conjunction with senior management, also undertakes an annual review of:

- **Westpac's Risk Management Strategy** (i.e. this document) which describes our overarching approach to managing risk and the key elements of the risk management framework that give effect to this strategy;
- the **Westpac Group Risk Appetite Statement**, which defines our desired risk profile;
- the **Internal Capital Adequacy Assessment Process**, which includes an assessment of the adequacy of capital targets given Westpac's size, business mix and complexity of its operations.

The annual review process for each of the above elements is aligned to support consistency of the risk management framework in response to material changes in:

- the Westpac Group's strategy and risk appetite;
- the external environment – including potential stressed scenarios for all key risks and changes in the broader operating environment including, industry, competitors, regulation and customers;
- the internal environment – including Westpac's strengths and weaknesses and changes to the size, business mix and complexity of its operations;
- the controls to mitigate risks faced by Westpac in achieving its strategic objectives;
- Westpac's obligations to its stakeholders; and

- Westpac’s financial targets, forecasts and capital projections.

### 4.3 Sound risk management and culture

The essential elements of sound risk management include:

- a sound risk culture of “risk is everyone’s business” and awareness of risk management supported by regular communication;
- observable linkages between strategy and risk appetite;
- clearly defined accountabilities, responsibilities and authorities;
- an appropriate level of resources with the capabilities, training and tools (or infrastructure) required to fulfil responsibilities and support the strategy;
- clearly defined operating structures, reporting lines and governance structures;
- clear principles, goals, objectives and incentives, including risk-adjusted performance measures to support appropriate behaviour and risk and customer outcomes;
- processes and systems that facilitate effective:
  - risk identification, analysis, evaluation and quantification, including stress testing;
  - communication, reporting and escalation of material risk issues and incidents;
  - risk reward decisions including appropriate targets and buffers;
  - mitigation and acknowledgement or management of residual risk; and
  - capture and reporting of risk data for both internal and external purposes.
- measured risk taking within risk appetite;
- proactive management of issues, incidents, concerns and risks outside tolerance levels; and
- assurance processes which include testing to demonstrate that risk-related practices and controls are appropriately embedded and effective, and comply with internal, regulatory and legislative requirements.

### 4.4 Risk and remuneration

Our remuneration strategy, executive remuneration framework, policies and practices support sound risk management. Risk adjusted remuneration is a core principle of the Westpac remuneration strategy and risk considerations are embedded in our remuneration framework including variable reward pool determination, objectives/scoreboards, behavioural/qualitative adjustments to outcomes, and deferral and vesting (including ex post adjustments) of incentives.

Our remuneration policies and practices fairly and responsibly reward individuals having regard to performance, Westpac’s risk management framework, the law and the highest standards of governance.

## 5. Roles and responsibilities

Table 5.1 outlines the high level roles and responsibilities of each “Line of Defence”. Detailed functional responsibilities are set out in each of the risk-class specific frameworks and the relevant executive risk committees’ terms of reference.

The role of the Board, Board Committees and senior management is outlined in Attachment 2. A diagrammatic view of the Board governance framework and Group-wide risk committee structure is set out in Attachments 3 and 4.

## 5.1 The Three Lines of Defence – roles and responsibilities

Roles and responsibilities	1st Line <i>Risk originator</i>	2nd Line <i>Separate risk management and compliance functions</i>	3rd Line <i>Independent assurance</i>
<b>Context</b> <ul style="list-style-type: none"> <li>▪ Establish the link between business strategy and risk</li> <li>▪ Operate within Board-approved risk appetite</li> <li>▪ Live the Westpac Code of Conduct (including compliance with laws and policies)</li> </ul>	✓ ✓ ✓	✓ ✓ ✓	✓ ✓
<b>People and culture</b> <ul style="list-style-type: none"> <li>▪ Establish, maintain and monitor that we have a sound risk culture</li> <li>▪ Maintain resources with the skills and tools required to fulfil their risk responsibilities and support the strategy</li> <li>▪ Clear goals, objectives and incentives, including an appropriate risk-focused component of employee performance management</li> <li>▪ Document responsibilities</li> </ul>	✓ ✓ ✓ ✓	✓ ✓ ✓ ✓	✓ ✓ ✓ ✓
<b>Assurance</b> <ul style="list-style-type: none"> <li>▪ Test the design and operating effectiveness of controls and compliance</li> <li>▪ Demonstrate self-assurance over internal controls</li> <li>▪ Provide independent assurance to executive management and directors</li> </ul>	✓	✓ <sup>1</sup> ✓	✓ ✓
<b>Frameworks and limits</b> <ul style="list-style-type: none"> <li>▪ Assist the Board, Board Committees and senior management to establish, maintain and review the Risk Management Strategy and supporting risk management frameworks</li> <li>▪ Establish and maintain authorities and limits</li> </ul>	✓ <sup>2</sup>	✓ ✓	
<b>Risk Management</b> <ul style="list-style-type: none"> <li>▪ Define risk appetite, limits and authorities</li> <li>▪ Identify and analyse risks</li> <li>▪ Avoid, mitigate, accept or approve risks</li> <li>▪ Stress-test risks, models and assumptions</li> <li>▪ Design, implement and monitor controls to ensure compliance with internal, regulatory and legislative requirements</li> <li>▪ Provide independent advice on design, implementation and monitoring of controls and compliance</li> <li>▪ Capture risk data including events and issues</li> <li>▪ Monitor and report risk profile versus limits and authorities</li> </ul>	✓ <sup>2</sup> ✓ ✓ ✓ ✓ ✓ ✓ ✓	✓ ✓ ✓ ✓ ✓ ✓ ✓	✓ ✓

<sup>1</sup> Excludes the Compliance function.

<sup>2</sup> Within delegated authorities or with 2<sup>nd</sup> line function as per relevant framework and policies.



<b>Roles and responsibilities</b>	<b>1st Line <i>Risk originator</i></b>	<b>2nd Line <i>Separate risk management and compliance functions</i></b>	<b>3rd Line <i>Independent assurance</i></b>
<ul style="list-style-type: none"> <li>▪ Monitor resources and capabilities (including systems and data)</li> </ul>	✓	✓	
<b>Risk Governance</b> <ul style="list-style-type: none"> <li>▪ Report on risk profile, issues and remediation (close the loop)</li> <li>▪ Manage executive risk committees</li> <li>▪ Notify the Board or Board Committees of any significant breach, or material deviation from the risk management framework</li> </ul>	✓  ✓ ✓	✓  ✓ ✓	✓

## 5.2 Application to controlled subsidiaries

The Risk Management Strategy and supporting frameworks and policies outline minimum Group-wide standards that apply across all controlled subsidiaries, within the context of their specific local conditions, regulatory, fiduciary or legislative requirements. This includes subsidiaries' regulatory conditions of registration or obligations as separately listed entities.

Where it is necessary for a controlled subsidiary to develop amendments or exceptions to Group-wide standards to meet its local conditions, regulatory or legislative requirements, the person responsible for the relevant framework within the subsidiary will consult with and obtain the endorsement of:

- the Westpac New Zealand Chief Risk Officer (for New-Zealand regulated subsidiaries); or
- the relevant Group-wide framework owner (for all other subsidiaries).

Where amendments or exceptions have been endorsed, the relevant Chief Risk Officer or Framework owner is responsible for:

- confirming to the Westpac Group Chief Risk Officer that any amendments or exceptions are appropriate to manage material risks to the Westpac Group; and
- maintaining appropriate arrangements to provide the Westpac Board and senior management with a comprehensive view of risks across the Group.

# ATTACHMENT 1

## Key Risk management documents

Document	Description	Owners	Approved by
<b>Risk Appetite</b>			
Westpac Group Risk Appetite Statement	Establishes Westpac Group's risk appetite	Chief Risk Officer	Board
Westpac Group Risk Appetite Dashboard	Operationalises the Westpac Group Risk Appetite Statement including risk-class specific metrics that can be measured and referenced by divisions in setting their risk appetites	Chief Risk Officer	Chief Risk Officer
Divisional and Regulated Legal Entity Risk Appetite Statements	Establishes division-specific risk appetites that, when combined, contribute appropriately to and support the Westpac Group Risk Appetite Dashboard	Divisional CRO jointly with relevant Group Executive	Divisional CRO jointly with relevant Group Executive
<b>Board Strategy Review</b>			
Board Strategy Review and business plan	The Board, in conjunction with senior management, undertake an annual review of the strategic objectives of the Group through the Board Strategy Review process (this includes an assessment of risks in the Risk Considerations paper). The business plan sets out the approach for the operational implementation of the strategic objectives	Chief Executive Officer	Board
<b>Risk Management Strategy</b>			
Risk Management Strategy (i.e. this document)	Establishes the principles that Westpac adopts for the management of risk across the enterprise. Includes key roles and responsibilities, details of key supporting risk management frameworks and approaches	Chief Executive Officer	Board
<b>Risk Management Frameworks<sup>3</sup></b>			
Credit Risk Management Framework	Establishes roles and responsibilities, the principles governing the management of credit risk and risk concentrations, the way we measure and provide for credit risk, and the requirements for stress testing, credit systems, credit reporting, credit risk management and policies across the Group	Head of Risk Appetite, Frameworks and Governance	BRCC
Liquidity Risk Management Framework	Establishes roles and responsibilities, liquidity risk structure, policies, principles and risk measurement methodologies (including modelling and contingency planning), controls and reporting	Head of Risk Appetite, Frameworks and Governance	BRCC
Market Risk Management Framework	Establishes roles and responsibilities, market risk structure, policies, principles and risk measurement methodologies, stress testing, control and reporting processes	Head of Risk Appetite, Frameworks and Governance	BRCC
Operational Risk Management Framework	Establishes roles and responsibilities and the measurement, management, monitoring and reporting of operational risks (including risk and control management, incident management and scenario analysis)	Head of Risk Appetite, Frameworks and Governance	BRCC
Financial Crime Risk Management Framework	Establishes the approach to managing and mitigating financial crime risk including: Bribery and corruption; Money laundering and terrorism financing (ML/TF); Tax evasion; and Economic and trade sanctions (Sanctions) violations	Head of Risk Appetite, Frameworks and Governance	BRCC
Compliance Management Framework	Establishes roles and responsibilities and our approach to managing compliance and mitigating compliance risk	Chief Compliance Officer and Group General Counsel	BRCC
Sustainability Risk Management Framework	Establishes roles and responsibilities and our approach to managing sustainability risks	General Manager, Corporate Affairs and Sustainability	BRCC

<sup>3</sup> The timing and methodology for review of the frameworks are described in the relevant underlying document as per the Board or Board Risk and Compliance Committee Charters or Terms of Reference of the relevant committee as outlined in Attachment 2. Frameworks establish appropriate mitigation strategies and control mechanisms and processes for monitoring, communicating and reporting on relevant risk issues including escalation procedures for the reporting of material events and incidents.

Document	Description	Owners	Approved by
Reputation Risk Management Framework	Establishes the roles and responsibilities and our approach to managing reputational risk	General Manager, Corporate Affairs and Sustainability	BRCC
Equity Risk Management Framework	Identifies the sources of equity risk across the group (both direct and indirect equity risks) and sets out how we measure, manage and report those risks, together with the related roles and responsibilities	Head of Risk Appetite, Frameworks and Governance	BRCC
Related Entity Risk Management Framework	Establishes how we manage the potential for contagion risk arising from the activities of our subsidiaries, including how we manage our direct and contingent credit and equity exposures to them, control of branding, service level agreements, conflicts of interest, and related party dealings generally	Head of Risk Appetite, Frameworks and Governance	BRCC
Insurance Risk Management Framework	Establishes roles and responsibilities and our approach to managing insurance risk	Head of Risk Appetite, Frameworks and Governance	BRCC
<b>Risk Management Strategy documents for regulated subsidiaries</b>			
Insurance entities	Establishes approach to management of all risks including insurance risk in regulated insurance subsidiaries	Chief Risk Officer, BT Financial Group	Insurance entity Boards
WNZL	Establishes approach to management of all risks in WNZL	WNZL Chief Risk Officer	WNZL BRCC
<b>Internal Capital Adequacy and Process</b>			
ICAAP	The Board is required to ensure that the Group maintains an appropriate level and quality of capital commensurate with its risk profile, business strategy and risk appetite	Chief Risk Officer and Chief Financial Officer	BRCC
<b>Independent Assurance</b>			
Group Audit Charter	Sets out the role of Group Audit in providing independent and objective evaluation of the adequacy and effectiveness of management controls over risk to the Board, including the scope of its responsibilities and the extent of its authority	General Manager Group Audit	Board Audit Committee
<b>Key supporting policies and procedures</b>			
Group Model Risk Policy	Documents requirements and processes for the validation, approval and use of any models to measure components of risk	Head of Model Risk, Risk Analytics and Insights	GM Analytics and Insights
Conflicts of Interest Policy	Documents requirements and processes for identifying, monitoring and managing potential and actual conflicts of interest	Chief Compliance Officer	RISKCO
Crisis and Emergency Preparedness Policy	Documents requirements and processes for maintaining appropriate contingency arrangements in stressed conditions	Head of Group Protective Services	OPCO
Group Business Continuity Management Policy	Documents requirements and processes for maintaining business continuity in stressed conditions	Head of Group Protective Services	BRCC
Recovery Plan	Outlines how the Westpac Group could recover in the event of severe stress. This document is prepared in accordance with guidance from APRA	Head of Liquidity Risk, Risk Analytics and Insights	BRCC
Liquidity Crisis Management Policy	Outlines the requirements, action plans and contingent funding options when dealing with an emerging liquidity crisis	Head of Liquidity Risk, Risk Analytics and Insights	BRCC
Review of risk management framework	A review of the risk management framework is performed on an annual basis by Group Audit.  Note: a three-yearly comprehensive review of the appropriateness, effectiveness and adequacy of the framework by operationally independent persons is required to be completed prior to 1 January 2018 (three years from the effective date of CPS220)	General Manager, Group Audit	Board
Other supporting risk policies as listed in the RISKCO Terms of	Other supporting policies for managing different risks across the different risk classes.	Refer to RISKCO Terms of Reference	Refer to RISKCO Terms of Reference

Document	Description	Owners	Approved by
Reference			

## ATTACHMENT 2 Risk management governance structure

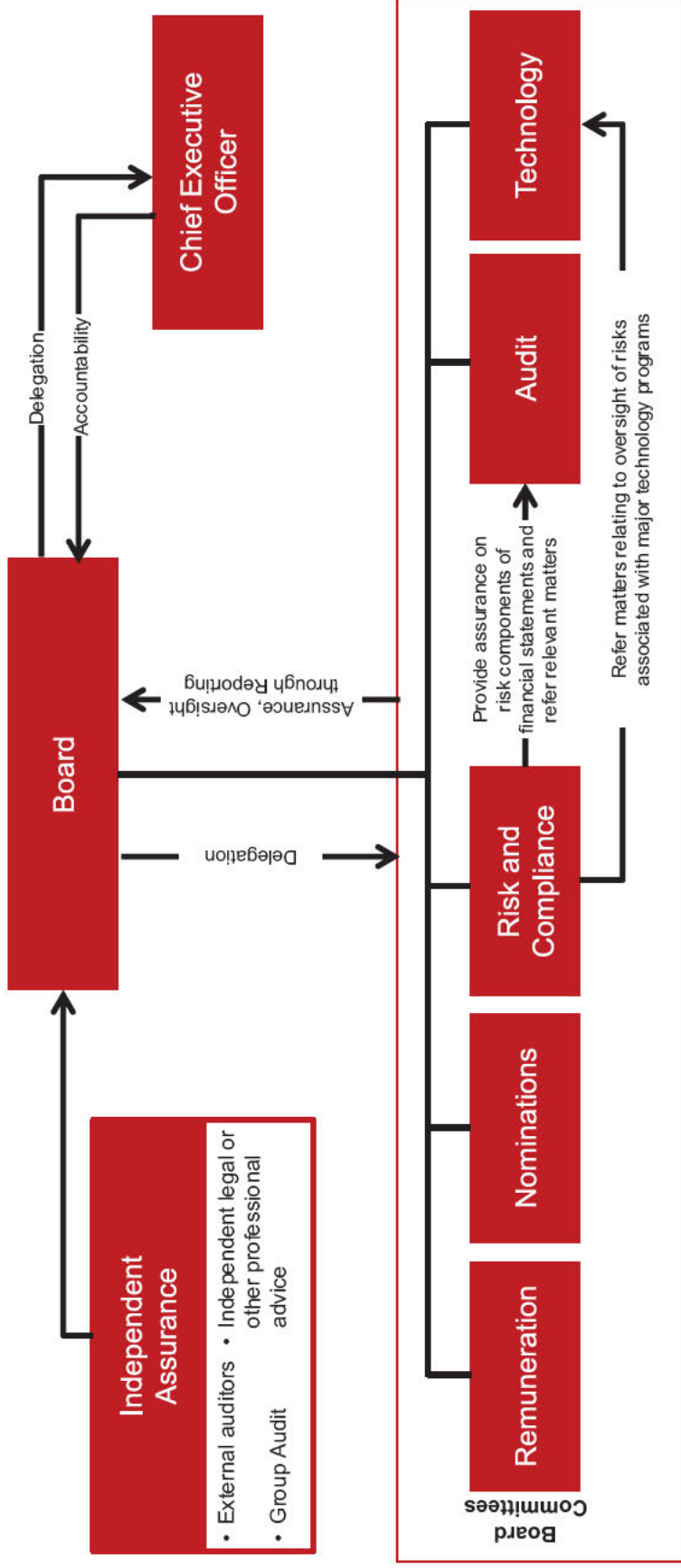
Westpac Board	<ul style="list-style-type: none"> <li>Approves our overall Risk Management Strategy and the Westpac Group Risk Appetite Statement.</li> </ul>
and – by delegated authority from the Board – the following Board Committees with a risk focus:	
Board Risk and Compliance Committee (BRCC)	<ul style="list-style-type: none"> <li>Provides recommendations to the Board on Westpac Group’s risk–reward strategy;</li> <li>Sets risk appetite consistent with the Westpac Group Risk Appetite Statement;</li> <li>Reviews and approves the frameworks for managing risk;</li> <li>Reviews and approves the limits and conditions that apply to credit risk approval authority delegated to the Chief Executive Officer, Deputy Chief Executive Officer and Chief Risk Officer and any other officers of the Westpac Group to whom the Board has delegated credit approval authority;</li> <li>Monitors the risk profile, performance, capital levels, exposures against limits and the management and control of our risks;</li> <li>Monitors changes anticipated in the economic and business environment and other factors considered relevant to our risk profile and risk appetite;</li> <li>Oversees the development and ongoing review of key policies that support our frameworks for managing risk; and</li> <li>May approve accepting risks beyond management’s approval discretion.</li> </ul>
Board Audit Committee (BAC)	<ul style="list-style-type: none"> <li>Oversees the integrity of financial statements and financial reporting systems, and matters relating to taxation risks.</li> </ul>
Board Remuneration Committee (BRC)	<ul style="list-style-type: none"> <li>Reviews any matters raised by the BRCC with respect to risk–adjusted remuneration.</li> </ul>
Board Technology Committee (BTC)	<ul style="list-style-type: none"> <li>Oversees the technology strategy, implementation and risks associated with major technology programs.</li> </ul>
Senior management communicate and report risk issues through the following executive committees with a risk focus:	
Westpac Group Executive Risk Committee (RISKCO)	<ul style="list-style-type: none"> <li>Leads the management and oversight of material risks across the Westpac Group within the context of the risk appetite determined by the BRCC;</li> <li>Oversees the embedding of the RMS in the Group’s approach to risk governance;</li> <li>Oversees risk–related management frameworks and key supporting policies;</li> <li>Oversees the Group’s material risks;</li> <li>Oversees reputation risk and sustainability risk management frameworks and key supporting policies; and</li> <li>Identifies emerging credit, operational, compliance and market risks and allocates responsibility for assessing impacts and implementing appropriate actions to address these.</li> </ul>
Westpac Group Asset and Liability Committee (ALCO)	<ul style="list-style-type: none"> <li>Leads the optimisation of funding and liquidity risk–reward across the Group;</li> <li>Reviews the level and quality of capital to ensure that it is commensurate with the Group’s risk profile, business strategy and risk appetite;</li> <li>Oversees the Liquidity Risk Management Framework and key policies;</li> <li>Oversees the funding and liquidity risk profile and balance sheet risk profile; and</li> <li>Identifies emerging funding and liquidity risks and appropriate actions to address these.</li> </ul>
Westpac Group	<ul style="list-style-type: none"> <li>Leads the optimisation of credit risk–reward across the Group;</li> </ul>

<b>Credit Risk Committee (CREDCO)</b>	<ul style="list-style-type: none"> <li>▪ Reviews and oversees the Credit risk-related Risk Management Frameworks and key supporting policies;</li> <li>▪ Oversees Westpac’s credit risk profile;</li> <li>▪ Identifies emerging credit risks, allocates responsibility for assessing impacts, and responds as appropriate; and</li> <li>▪ Facilitates continuous improvement in credit risk management by providing a forum for testing risk tolerances and debating alternate approaches.</li> </ul>
<b>Westpac Group Operational Risk Committee (OPCO)</b>	<ul style="list-style-type: none"> <li>▪ Leads the optimisation of operational risk-reward across the Group;</li> <li>▪ Reviews and oversees the Operational Risk Management Framework and key supporting policies;</li> <li>▪ Oversees Westpac’s operational risk profile; and</li> <li>▪ Identifies emerging operational risks and appropriate actions to address these.</li> </ul>

For a detailed summary of the Group-wide committee risk structure, refer to Attachment 4.

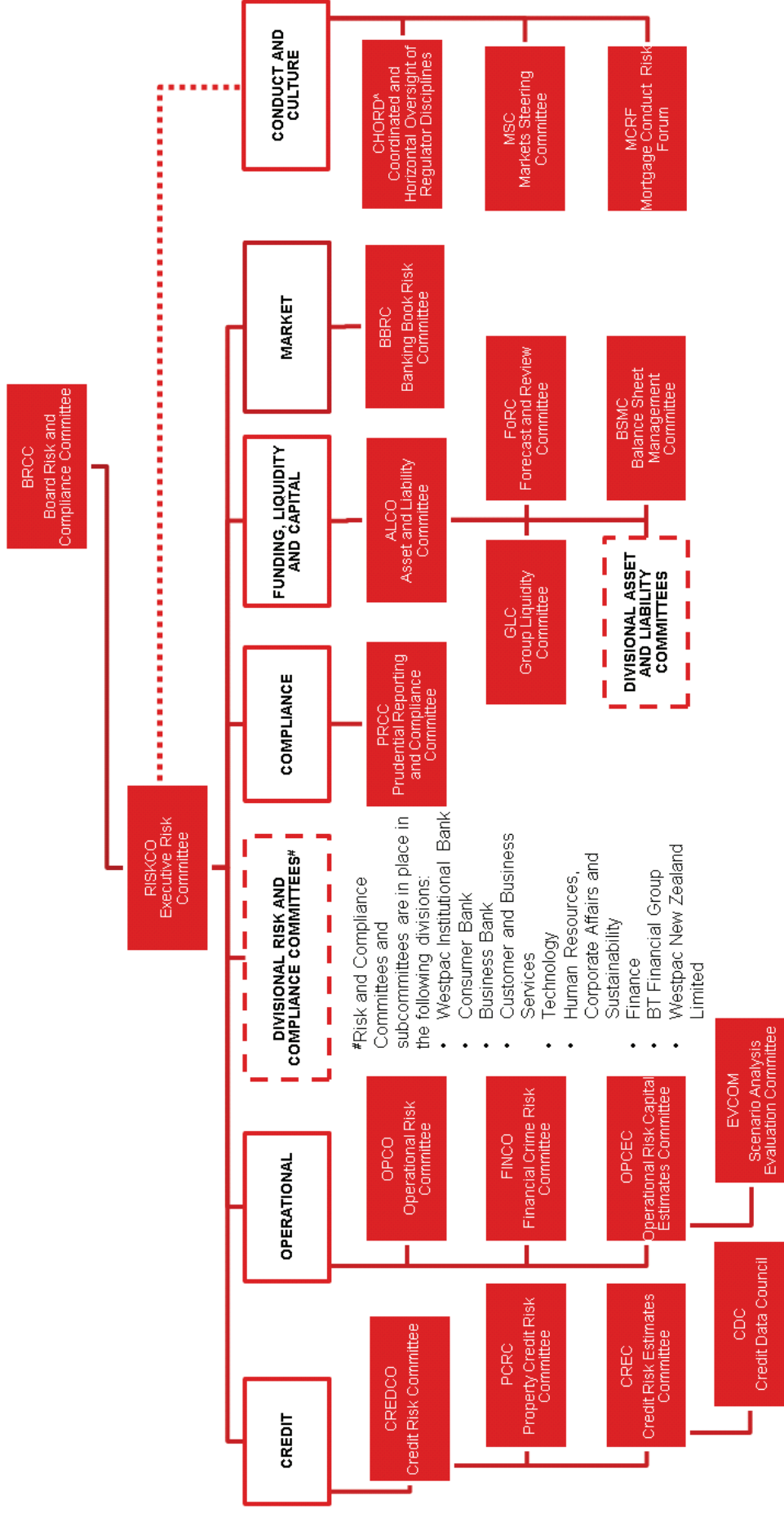
# ATTACHMENT 3

Board governance framework



# ATTACHMENT 4

## Group-wide risk committee structure

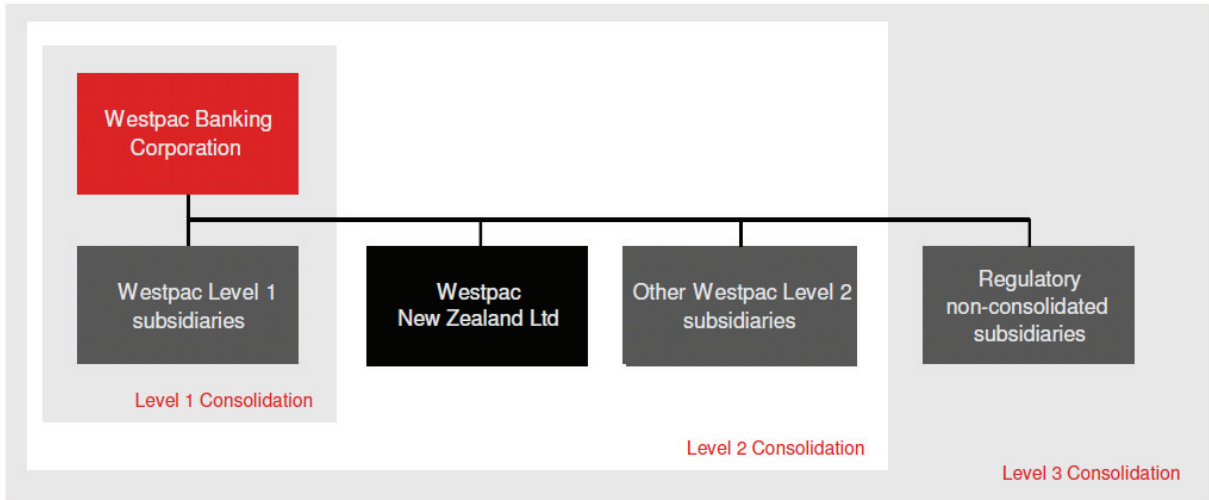


<sup>^</sup> RISKCO has oversight of conduct and culture including the activities of CHORD, which provides assurance to the Westpac Board



# ATTACHMENT 5

## Group structure



Westpac and its subsidiaries are referred to collectively as the ‘Westpac Group’. Regulatory consolidation at Level 2 covers the global operations of Westpac and its subsidiary entities, including other controlled banking, securities and financial entities, except for those entities involved in the following business activities:

- insurance;
- acting as manager, responsible entity, approved trustee, trustee or similar role in relation to funds management;
- non-financial (commercial) operations; or
- special purpose entities to which assets have been transferred in accordance with the requirements of APS120 Securitisation.

Refer to Westpac’s Pillar 3 report for a full listing of all Westpac Group controlled entities according to their level of regulatory consolidation.