

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS (SECOND REPORT)

Westpac

Westpac63QW: Does the Bank consider it sufficient to have a review of risk management frameworks “at least every three years” in the context of recent scandals. If so why?

Answer: The triennial review of APRA Prudential Standard CPS 220 – Risk Management is but one mechanism by which Westpac’s risk management framework is reviewed. This triennial review is in addition to a number of internal and external reviews of risk management that occur on a more frequent basis.

These additional internal and external reviews include:

- Scheduled reviews, such as by the Board and Board Risk and Compliance Committee (BRCC) review and approval of Westpac’s Risk Management Strategy (RMS) 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.
- Our Risk Management Strategy includes assurance processes and testing to demonstrate that risk-related practices and controls are appropriately embedded and effective, and comply with internal, regulatory and legislative requirements.
- The Prudential Reporting and Compliance Committee oversees Westpac’s compliance with prudential requirements and regulatory reporting for all Westpac subsidiaries and branches (as imposed by the Australian and international regulators).
- Reviews by external parties, including our external auditors and our regulators. APRA conducts regular supervisory reviews across all material risk classes, including the annual prudential consultation; and more broadly, there are annual meetings with the Board and our regulators where risk management is frequently a key focus area for discussion.
- Targeted reviews, conducted either by internal or external parties, can occur on a proactive basis or a reactive basis in response to both internal and external incidents, breaches and industry or regulatory areas of focus.

Further, our Three Lines of Defence approach to risk management means the effectiveness of our frameworks, policies and process controls are routinely tested.