



BUSSQ Independent Review

20 June 2025

Contents

Executive Summary and Overview.....	1
Executive Summary.....	2
1. Overview	3
1.1 Introduction	3
1.2 High Level Scope and Approach	3
1.3 Limitations	4
1.4 Structure of this Review	5
1.5 Licence Conditions.....	5
Regulatory Context	7
2. Regulatory Context.....	8
2.1 Introduction	8
2.2 Fit and Proper Requirements.....	9
2.3 Best Financial Interests Duty Obligation	10
Fit and Proper - Observations and Recommendations.....	13
3. Fit and Proper – Observations and Recommendations	14
3.1 Background and Context	14
3.2 BUSSQ Fit and Proper Processes.....	15
3.3 Assessment Approach	18
3.4 Fit and Proper Processes, Policies and Procedures (Conditions 6(a)-6(b))...	19
3.4.1 Observations	20
3.4.2 Recommendations and Enhancements	21
3.5 Fit and Proper Director and Officer Assessments (Condition 6(c))	23
3.5.1 Observation	23
3.5.2 Overall Conclusion	23
Expenditure Decisions – Observations and Recommendations	24
4. Expenditure Decisions – Observations & Recommendations	25
4.1 Introduction	25
4.2 BUSSQ Expenditure Decisions – Process, Purpose, Metrics and Oversight.	27
4.2.1 Overview	27
4.2.2 Observations	30
4.2.3 Recommendations	33
4.3 Assessment of BUSSQ Expenditure Decisions (Condition 6(d)(v))	35
4.3.1 Sponsorship Expenditure Decisions	36
4.3.2 Arrears Collection Expenditure Decisions.....	36
4.3.3 Director Remuneration Expenditure Decisions	37
4.4 Adequacy of BUSSQ’s Policies and Procedures (Condition 6(e)).....	37
4.4.1 BUSSQ Policies and Procedures.....	37
4.4.2 Observations	38
4.4.3 Recommendations and Enhancements	40

Appendices	42
Appendix 1 – Detailed Scope and Approach	43
Appendix 2 – BUSSQ Directors and Officers	47
Appendix 3 – In-Scope Expenditure Decisions.....	48
Appendix 4 – Fit and Proper Assessment Criteria and Outcomes	49
Appendix 5 – KPMG BFID Decision-Making Framework and Outcomes.....	50
Appendix 6 – Document Register	55
Appendix 7 – Consolidated Recommendations and Enhancements.....	59

Inherent Limitations

This report has been prepared as outlined with BUSS (Queensland) Pty Ltd (“BUSSQ”) in the Scope Section of the engagement letter dated 4 April 2025. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

The findings in this report are based on a qualitative study and the reported results reflect a perception of BUSSQ but only to the extent of the sample surveyed, being BUSSQ’s approved representative sample of Board and Management. Any projection to the wider organisation is subject to the level of bias in the method of sample selection.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, BUSSQ Board and Management consulted as part of the process.

KPMG has indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

Third Party Reliance

This report has been prepared at the request of BUSSQ in accordance with the terms of KPMG’s engagement letter dated 4 April 2025 and is not to be used for any other purpose or distributed to, or relied upon by, any other party without KPMG prior written consent.

Other than our responsibility to BUSSQ, neither KPMG nor any member or employee of KPMG, undertakes responsibility arising in any way from reliance placed by a third party on this deliverable. Any reliance placed is that party’s sole responsibility.

Glossary

Term	Definition
APRA	Australian Prudential Regulatory Authority
ASIC	Australian Securities and Investment Commission
BAR&R Policy	BUSSQ Board Appointment, Removal and Renewal Policy
BFID	Best Financial Interests Duty
BUSSQ or Trustee	BUSS (Queensland) Pty Ltd
BUSSQ Scheme	Building Unions Superannuation Scheme (Queensland)
CFMEU	Construction, Forestry and Maritime Employees Union
CMP	BUSSQ Conflicts Management Policy
Conflict	Any reference to a “conflict” means an actual, potential or perceived conflict
Corporations Act	<i>Corporations Act 2001</i> (Cth)
EBA	Enterprise Bargaining Agreement
EM GRC	Executive Manager, GRC
EMF	BUSSQ Expense Management Framework
EMP	BUSSQ Expense Management & Finance Policy
F&P	A reference in the Licence Conditions to SPS 520
FAR	Financial Accountability Regime as set out in the <i>Financial Accountability Regime Act 2023</i> (Cth) (and related rules)
FEAL	Fund Executives Association Ltd
Fit and Proper Policy	BUSSQ Fit and Proper Policy and Procedures
In-Scope Directors and Officers	All current BUSSQ Directors and Officers (see Appendix 2)
In-Scope Expenditure Decisions	CFMEU connected expenditure decisions that were in effect or being made as at 1 June 2024 (see Appendix 3)
Licence Condition or Condition	The RSE Licence Conditions imposed on BUSSQ by APRA effective 12 March 2025 (as extracted at 1.5)
Member	Refers to both members and beneficiaries
MSC	BUSSQ Member Services Committee
PCRN Committee	BUSSQ People, Culture, Remuneration and Nominations Committee
RP	Responsible Person
RSE Licensee	Registrable Superannuation Entity that is authorised to operate a superannuation fund in Australia
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i> (Cth)
SPG 520	APRA Prudential Practice Guide SPG 520 Fit and Proper
SPP	BUSSQ Sponsorship & Partnership Policy
SPS 520	APRA Superannuation Prudential Standard SPS 520 Fit and Proper
YFYS Act	<i>Treasury Laws Amendment (Your Future, Your Super) Act 2021</i> (Cth)

01

Executive Summary and Overview



Executive Summary

The superannuation industry plays a critical societal role in providing for members' retirement. In an industry that is compulsory by nature, where the asset pool has grown to over \$4 trillion, and where approximately 78% of Australians are members, a strong foundation and strong governance is axiomatic.

Individually members depend on the success of their fund, and on the success of the system. Additionally, as an integral part of Australia's retirement income system, the scale of the superannuation industry is of economic and systemic importance.

Against this backdrop RSE Licensees, as superannuation trustees, are held to high standards of governance and decision-making. By the fiduciary nature of their role, superannuation trustees undertake to act on behalf of members and beneficiaries. It is a relationship underpinned by loyalty, trust and confidence.

This is reflected in the trustee and trustee director covenants imported into the governing rules of a superannuation trust, anchored on the core obligation of acting in the best financial interests of members and beneficiaries.¹

From a prudential perspective this is supplemented by APRA's prudential standards setting out standards of good governance for RSE Licensees.

It is within this context that BUSSQ has over the past four years experienced some disruption with director resignations in 2022, and more recently with the CFMEU as a nominating shareholder making director replacements in light of its own controversies.

As required by the additional APRA Licence conditions imposed on BUSSQ's RSE Licence, this Independent Review reports on KPMG's consideration of the fit and proper nature of directors and officers, and whether certain expenditure connected with the CFMEU was made for the sound and prudent business operations of BUSSQ having regard to the best financial interests duty.

It is clear that in the period covered by this Review that BUSSQ, in reflecting on the issues of the past, regulatory themes and industry better practice, has sought to continuously improve its approach and has enhanced frameworks, policies and procedures.

Consistent with this journey and reflecting on the continuing development of industry better practice, this Review sets out KPMG's observations, findings, recommendations for additional uplift, and further enhancements for BUSSQ's consideration.

In summary, KPMG has concluded that BUSSQ's current directors and officers are fit and proper, and that, with the exception of an area where recommendations have been made, the CFMEU connected expenditure decisions, are consistent with the sound and prudent management of BUSSQ's business operations. The specific detail of these findings is set out in this Review Report.

This Review was undertaken with strong co-operation and support from BUSSQ's Board and Management. The flow of requested information and supporting documentation was timely and complete. APRA was appropriately involved as part of establishing the Review Scope as well as being updated with progress along the way.

Dr Lisa Butler Beatty
Partner, KPMG

¹ *Superannuation Industry (Supervision) Act 1993 (Cth) (SIS Act) ss 52(2)(c), 52A(2)(c).*

1. Overview

1.1 Introduction

BUSS (Queensland) Pty Ltd (**BUSSQ and Trustee**) is the RSE Licensee and Trustee for the Building Unions Superannuation Scheme (Queensland) and the BUSS (Queensland) Pooled Superannuation Trust, and has approximately 74,000 members and \$6.7 billion in funds under management (as at 30 June 2024).

The Australian Prudential Regulation Authority (**APRA**) imposed additional RSE licence conditions on BUSSQ on 14 August 2024 regarding a review of fitness and propriety processes and certain fund expenditure decisions. These additional RSE licence conditions were subsequently varied effective 12 March 2025. These varied additional licence conditions are the subject of this Review (**Licence Conditions or Conditions**).

APRA expressed that it imposed the Licence Conditions with the intention of providing transparency and reassurance to BUSSQ members following public allegations regarding serious misconduct within the Construction, Forestry and Maritime Employees Union (**CFMEU**), and the resulting steps taken by State and Federal Governments and the Fair Work Commission. CFMEU is a shareholder of BUSSQ and has appointed four Directors to its eight-member Board, three of whom are CFMEU officers.²

Fulfilment of the requirements under the Licence Conditions were intended by APRA to support improved outcomes for members and provide assurance over the level of independence, rigour and transparency in relation to BUSSQ's compliance with the law.³

Under the Licence Conditions, BUSSQ was required to appoint an independent expert to conduct a review (**Independent Review or Review**) of: (i) BUSSQ's fit and proper assessment processes in relation to the requirements under APRA Superannuation Prudential Standard SPS 520 Fit and Proper (**SPS 520**); and (ii) certain expenditure decisions connected with the CFMEU having regard to the duty to act in the best financial interests of beneficiaries.

BUSSQ engaged KPMG as an independent third party to conduct the Independent Review. This section provides an overview of the scope of the Independent Review and the procedures performed by KPMG in accordance with the Licence Conditions.

1.2 High Level Scope and Approach

In response to the Licence Conditions KPMG prepared a Review Scope of Work (**Review Scope**) for conducting the Review.⁴ The Review Scope was confirmed with BUSSQ before being submitted to APRA on 30 April 2025.

By way of summary, the Review Scope canvassed the following:⁵

- The fit and proper assessment processes undertaken by BUSSQ for the current Directors and Officers;

² APRA, Media Release, APRA imposed additional licence conditions on the trustee for Cbus and BUSSQ, dated 14 August 2024 (available at www.apra.gov.au/news-and-publications/apra-imposes-additional-licence-conditions-on-trustees-for-cbus-and-bussq).

³ As above.

⁴ See 1.3 for the limitations on the Review Scope.

⁵ See 1.5 for the full extract of Licence Conditions relevant to this Review.

- KPMG’s opinion on the fitness and propriety of the current Directors and Officers at the time last assessed and as at the date of this Review;
- An assessment of all CFMEU connected expenditure decisions that were in effect or being made as at 1 June 2024 (**In-Scope Expenditure Decisions**), as to whether those decisions were made for sound and prudent management of BUSSQ’s business operations by reference to the best financial interests duty (**BFID**); and
- The adequacy of the current BUSSQ policies and procedures in relation to fit and proper and in relation to expenditure decisions.

In conducting the Review we:

- Performed a detailed documentation review of relevant policies, procedures and processes in relation to fit and proper and expenditure decisions;
- Interviewed BUSSQ’s current Directors and Officers;
- Performed supplementary research and assessments; and
- Reviewed and analysed decisions of the BUSSQ Board, Board Committees and Management.

The full Review Scope and Approach is provided in Appendix 1.

1.3 Limitations

This Independent Review was undertaken in accordance with the agreed Review Scope, which is subject to the following limitations:

- While regulatory and legal principles may be referred to in this Review, it is not intended to constitute a legal review or legal advice.
- The fit and proper assessment of current BUSSQ Directors does not constitute a Board Effectiveness Review which assesses effectiveness of the Board and Board Committees including consideration of performance of the Board Directors and whether they discharged their obligations, duties and responsibilities.
- In forming an opinion on whether the Directors and Officers remain fit and proper at the date of this Review Report we have relied on the assessment carried out in conducting this Review that we finalised on 3 June 2025. We have not sought to reconfirm the assessment beyond this date. However, there is nothing that has come to our attention that would impact our conclusions.
- KPMG has indicated within this Review the sources of information provided. KPMG has not sought to independently verify those sources unless otherwise noted within the Report. No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, BUSSQ management and personnel consulted as part of the process.
- The review of whether the Expenditure Decisions were made for sound and prudent management of the RSE Licensee’s business operations was limited to Business Case documentation associated with the In-Scope Expenditure Decisions only and did not consider broader comparative Business Cases and Expenditure Decisions made by the BUSSQ Board.
- The review of the adequacy of BUSSQ’s policies and procedures in relation to Expenditure Decisions was based on our interpretation of the BFID provisions within the SIS Act, KPMG’s BFID Decision-Making Framework and our observations of industry better practices.

1.4 Structure of this Review

In responding to the Licence Conditions set out below, this Review first considers the regulatory context within which superannuation funds and their trustees operate (Section 2). In particular, this section focuses on the core obligations of trustees and directors flowing from the SIS Act, the APRA Prudential Standards and the *Corporations Act 2001* (Cth) (**Corporations Act**), as relevant to this Review.

The remainder of this Review Report addresses the fit and proper assessment undertaken (Section 3) and the assessment of In-Scope Expenditure Decisions (Section 4).

In each case the assessment approach is outlined, followed by relevant observations, findings and recommendations and enhancements.

The required opinions and conclusions are considered as follows:

Fit and Proper (Condition 6(c))	In respect of the fit and proper assessment an opinion is drawn as to whether the In-Scope Directors and Officers were fit and proper at the date of the last assessment, and at the date of this Review.
Expenditure Decisions (Condition 6(d)(v))	In respect of the In-Scope Expenditure Decisions, an assessment is made as to whether the expenditure decisions were made for the sound and prudent management of BUSSQ's business operations having regard to BFID.

The consolidated recommendations and enhancements made in this Review Report are set out in Appendix 7.

1.5 Licence Conditions

An extract of the Licence Conditions relevant to this Review is set out below:

Licence Conditions	
Condition 6(a)	Reviewing all of the processes undertaken by the RSE Licensee in assessing whether all of the directors and officers of the RSE Licensee are fit and proper in compliance with F&P.
Condition 6(b)	Reviewing the adequacy of the RSE Licensee's policies and procedures in relation to F&P.
Condition 6(c)	Whether, in the opinion of KPMG, the current directors and officers of the RSE Licensee: <ol style="list-style-type: none"> were fit and proper at the time they were last assessed by the RSE Licensee; and remain fit and proper in compliance with F&P as at the date of the Review.
Condition 6(d)	Reviewing all Expenditure Decisions of the RSE Licensee connected with the CFMEU that were in effect or being made as at 1 June 2024, by reference to BFID, including in relation to: <ol style="list-style-type: none"> the processes undertaken by the RSE Licensee in relation to the making of Expenditure Decisions; the identified purpose of the Expenditure Decisions, including how the expenditure would contribute to the RSE Licensee meeting its strategic objectives; what metrics, measures or alternatives (if any) were used to assess whether the expenditure would reasonably achieve its intended purpose and was consistent with BFID; what oversight arrangements were implemented by the RSE Licensee to monitor implementation of Expenditure Decisions;

Licence Conditions

- v. whether the Expenditure Decisions were made for sound and prudent management of the RSE Licensee's business operations, including by whether the:
 - (A) stated benefit of any arrangement or contract was obtained by the RSE Licensee;
 - (B) expenditure achieved its intended purpose;
 - (C) goods or services (as the case may be) to be delivered under any arrangement or contract were obtained by the RSE Licensee;
 - (D) expenditure provided fair value for beneficiaries of the Building Unions Superannuation Scheme (Queensland) ABN 85 571 332 201 and the BUSS (Queensland) Pooled Superannuation Trust ABN 39 219 239 244; and
 - (E) stated metrics, if any, that were set during the RSE Licensee's BFID assessment were met.

Condition 6(e)

Reviewing the adequacy of the RSE Licensee's policies and procedures in relation to Expenditure Decisions and whether those policies and procedures meet the RSE Licensee's obligations under BFID.

Condition 6(f)

The steps KPMG recommends the RSE Licensee take to rectify any deficiencies they identify with respect to the matters referred to in Conditions 6(a) through 6(e).

(Independent Recommendations).

Summary of the above in a Review Report (which will be provided to APRA and published by BUSSQ on its website (subject to any redactions approved by APRA under Condition 9A of the Licence Conditions)).

02

Regulatory Context



2. Regulatory Context

2.1 Introduction

Trustees of superannuation funds in Australia operate within a complex multi-layered regulatory environment.

SIS Act and Prudential Standards

Fundamentally the SIS Act sets out provisions for the prudent management of superannuation funds, including pooled superannuation trusts, and for their supervision by the relevant regulators (being APRA, the Australian Securities and Investments Commission (**ASIC**) and the Australian Taxation Office (**ATO**)).

The SIS Act includes a set of core trustee and trustee director covenants, which represent the foundational set of obligations owed to members.⁶ This includes the obligation to perform duties and exercise powers in the best financial interests of beneficiaries; to exercise the same skill, care and diligence as a prudent superannuation trustee (or director as relevant), and in the event of a conflict, to give priority to the duties to, and interests of, the beneficiaries.⁷ Importantly these obligations are also owed by trustee directors directly to beneficiaries.⁸

The SIS Act also empowers APRA to make standards in respect of prudential matters that must be complied with.⁹ To this end, APRA has made a set of prudential standards that RSE Licensees must comply with. The prudential standards are broad ranging and cover governance, risk management, business operations, recovery and resolution, and reporting.

As part of the prudential standards, SPS 520 sets out the minimum standards for RSE Licensees in determining the fitness and propriety of individuals that hold positions of responsibility (with accompanying guidance provided in SPG 520). Added to this, SPS 521 Conflicts of Interest establishes a standard for RSE Licensees to identify, avoid and manage conflicts of interests and duty, and to have a conflicts management framework in place. This includes having registers of relevant duties and relevant interests that must be disclosed publicly.

From a business operations perspective, SPS 515 Strategic and Business Planning (**SPS 515**) focuses on the need for an RSE Licensee to set strategic objectives for its business operations, and to manage its business operations in a sound and prudent way. The standard also seeks to ensure that fund expenditure is in the best interests of members and that there is a comprehensive monitoring process for reviewing decisions against expected outcomes. A replacement SPS 515 will commence on 1 July 2025.

Corporations Act

Superannuation trustees are also regulated by the Corporations Act. Directors of a corporate superannuation trustee are subject to general directors' duties such as the duty to act in good faith in the best interests of the corporation and for a proper purpose.¹⁰ Directors also must not improperly use their position to gain an advantage for themselves or someone else, or cause

⁶ SIS Act s 52(2), s 52A(2). The covenants set out in these sections are taken to be included in a registrable superannuation entity's governing rules.

⁷ SIS Act s 52(2)(b), (c), (d), s 52A(2)(b), (c), (d). Selected covenants only are included in the text.

⁸ SIS Act s 52A(2).

⁹ SIS Act s 34C.

¹⁰ Corporations Act s 181.

detriment to the corporation.¹¹ Notably, the duty to act in members' best financial interests under the SIS Act takes precedence to the extent of any inconsistency.¹²

Additionally, RSE Licensees hold an AFSL licence and are subject to the accompanying licence conditions, which includes the duty to act efficiently, honestly and fairly in the provision of a financial service, and to appropriately manage conflicts of interest.

Trustee Model

In Australia, RSE Licensees that are constituted as a corporate trustee must either satisfy the equal representation rules or be an independent trustee.¹³ The equal representation rules require that a trustee board is constituted by equal member representatives and employer representatives. There are also examples in the industry of funds adopting a hybrid model of equal representation with the addition of independent directors.¹⁴

2.2 Fit and Proper Requirements

SPS 520 sets out minimum standards for RSE Licensees in determining the fitness and propriety of individuals in responsible person positions – a critical element of ensuring sound governance and risk management.

The standard requires that RSE Licensees prudently assess whether individuals possess the competence, character, honesty, integrity and judgment necessary to perform their role. SPG 520 provides additional interpretive guidance, including practical examples and expectations around implementation.

Key obligations under SPS 520 (and supplemented by SPG 520) include:

- Adopting and maintaining a Fit and Proper Policy which is tailored to the size, business operations, and complexity of the fund.
- Developing an assessment process that includes:
 - Competence, skills, and experience relevant to the role (including verifying qualifications and experience);
 - Character, honesty, and integrity (e.g. through character reference);
 - Judgment and diligence in fulfilling responsibilities (e.g. through professional reference);
 - Whether the person has any conflicts of interest or affiliations that may affect their objectivity; and
 - Disciplinary or legal history, including disqualification, bankruptcy or criminal convictions.
- Reviewing fitness and propriety at least annually, with more frequent reviews required if there is a material change in circumstances (e.g. a new conflict, legal issue, or conduct concern).
- A requirement for RSE Licensees to take all reasonable steps to ensure individuals who are not fit and proper are neither appointed to, nor allowed to continue in, responsible person roles.

¹¹ Corporations Act s 182.

¹² SIS Act s 52(4).

¹³ SIS Act ss 89-93. The BUSSQ Board is constituted as an equal representation Board, with directors nominated by two sponsoring organisations, one being the CFMEU: BUSSQ Consolidated Constitution, art 34.

¹⁴ Noting that the SIS Act s 89(2) permits the appointment of an independent director to an equal representation board.

- Applying these requirements/processes to auditors and actuaries that are engaged by the RSE licensee.
- A requirement for the Board to be ultimately accountable for ensuring compliance with SPS 520, which includes appropriate reporting and review mechanisms to discharge this responsibility.
- Maintaining documentary evidence of assessments conducted, the basis for decisions made, and any actions taken where a person is found not to meet requirements.
- Notifying APRA of any appointments, removals, and outcomes of certain assessments.

On 6 March 2025, APRA released a consultation package outlining eight proposals to uplift the prudential governance framework for banks, insurers, and superannuation trustees.¹⁵ These proposed reforms may shape future changes to SPS 520, SPS 510 Governance, and SPS 521 Conflicts of Interest, with a focus on:

- Strengthening Board composition (skills and experience);
- Enhancing minimum standards for fit and proper assessments (including being more specific about what fit and proper means, and the need to verify conclusions);
- Improving conflict management (by creating a single cross-industry set of requirements); and
- Reinforcing Board independence (including through imposing a lifetime default tenure limit of 10 years for non-executive directors at a regulated entity).

2.3 Best Financial Interests Duty

As a superannuation fund must be constituted as a trust, it is implicit that the core general law trustee obligations apply to the actions of the trustee. The relationship between trustees and members is fiduciary in nature, which emphasises that trustees must prioritise the interests of beneficiaries, and undertake to act in their interests. Fundamentally this is a relationship of loyalty, of trustee to the beneficiaries.

These general law obligations are represented as trustee and trustee director covenants in the SIS Act, with the most prominent obligation being for a trustee (or trustee director) to perform its duties and exercise its powers in the best financial interests of beneficiaries.¹⁶

This obligation was originally expressed as a “best interests” duty, with the obligation being amended by the Your Future Your Super reforms¹⁷ to include the word “financial”. There is some doubt as to whether this has materially changed the obligation. This is because where the purpose of a trust is to provide financial benefits (like a superannuation trust) the “best interests” of beneficiaries was normally considered their best financial interests.¹⁸

In any event, there is certainly a sharper focus in the industry on “financial” factors and metrics and the intended link to the interests of members. Additionally, the Explanatory Memorandum for the YFYS Act emphasised the change was intended to clarify that non-financial interests cannot take priority over financial interests, and that the financial interests of members is the

¹⁵ APRA (2025), “Governance Review – Discussion Paper” available at www.apra.gov.au/governance-review-discussion-paper (6 March 2025).

¹⁶ SIS Act s 52(2)(c).

¹⁷ *Treasury Laws Amendment (Your Future, Your Super) Act 2021* (Cth) (**YFYS Act**).

¹⁸ *Cowan v Scargill* [1985] Ch 270 at 286-287 per Sir Robert Megarry VC. See also Jackman, “Superannuation Trustees’ Duty to Make Money for their Beneficiaries”, presented at Law Council of Australia Superannuation Lawyers’ Conference, Canberra, 28 March 2025.

determinative factor.¹⁹ This is certainly consistent with the current regulatory posture and the focus on best financial interests in the new SPS 515 due to commence on 1 July 2025.

From a practical perspective the best financial interests obligation is about how a trustee makes a decision and its decision-making process. To this end, the KPMG Decision-Making Framework (set out in Appendix 5) is designed to set out the steps of a BFID Trustee decision-making process, with one of the critical steps being the “assess” step. This step focuses on the inputs for a decision, being the data and metrics used to consider the impact of a proposal or decision on the interests of members and beneficiaries. This assessment may also require a consideration of relevant cohorts or classes within a fund to test the impacts of a potential decision across the breadth of a fund. In this case, a trustee will need to weigh the relative impacts to form a view of collective best financial interests of members.

In assessing a trustee’s decision, it is important that a decision is not judged in hindsight, but by the circumstances that existed at the time of the decision.²⁰ So the outcomes of a decision may indicate that a review of the trustee’s decision may be required, but will not automatically indicate that the obligation has been breached.

Finally, there is also a “reasonableness” element underpinning the nature of the best interests (and now best financial interests) obligation. It can be helpful to query whether the decision was reasonably justifiable,²¹ or to put another way, does the decision fall within the range of decision that a reasonable superannuation trustee would make?

Evidential Onus of Proof

It is important to note that the Your Future Your Super reforms also amended the SIS Act to reverse the evidential onus of proof in civil proceedings against trustees.²²

What this effectively means is that the starting point in regulator proceedings is that it is presumed that a trustee did not perform its duties and exercise its powers in the best financial interests of beneficiaries unless, the trustee adduces evidence to the contrary. Where the trustee can point to evidence that it has complied with the obligation, the regulator then must prove “on the balance of probabilities” that the Trustee did not comply with its duty.

From a practical perspective this emphasises the need for strong documentation and clear records of the decision-making process and the rationale (including quantifiable metrics and analysis) for a trustee’s decision in the best financial interests of members.

APRA’s Focus on Expenditure Governance

Fund expenditure has been a focus area that APRA monitors closely. During November 2020 and October 2021, APRA undertook a superannuation thematic review focusing on expenditure by a subset of RSE Licensees on advertising, sponsorships and promotions to assess whether expenditure was in the best interests of beneficiaries (the relevant fiduciary duty at the time), and the effectiveness of trustee governance and oversight.²³ Key findings included:

- Failure to rigorously measure and assess anticipated and achieved benefits to beneficiaries of expenditure on marketing campaigns and related activities; and

¹⁹ Revised Explanatory Memorandum, Treasury Laws Amendment (Your Future, Your Super) Bill 2021 (Cth) at [3.30].

²⁰ *APRA v Kelaher* [2019] 138 ACSR 459 at [63]-[64] per Jagot J.

²¹ *APRA v Kelaher* [2019] 138 ACLR 459 at [54]-[64] per Jagot J.

²² The trustee must adduce or point to evidence that suggests a reasonable possibility that the matter exists or does not exist (SIS Act, s 10).

²³ APRA, Information Paper, “Findings from APRA’s superannuation thematic reviews”, available at www.apra.gov.au/findings-from-apra-s-superannuation-thematic-reviews (October 2021).

- Instances of RSE Licensees being unable to demonstrate how additional benefits associated with sponsorships, that were provided to directors, executives and staff of the fund resulted in any improved outcomes for members.

Revised SPS 515: Effective 1 July 2025

The introduction of new amendments (effective 1 July 2025) to SPS 515 reflects increased regulatory focus on member outcomes ensuring RSE Licensees continue to deliver outcomes that are in the best financial interest of members. The new SPS 515 requires an RSE Licensee must ensure that its expenditure decisions are for the purposes of the sound and prudent management of its business operations and are consistent with all legal duties and obligations of the RSE licensee, including the duty to act in the best financial interests of beneficiaries and the sole purpose test.²⁴

The new SPS 515 also sets out minimum requirements for an RSE Licensee's expenditure decision-making relating to its business operations. An RSE Licensee must demonstrate the purpose of the expenditure and the linkage to its strategic objectives and member outcomes, the funding method of the expenditure, as well as how the expenditure will be monitored, including using metrics to determine delivery of expected outcomes and triggers for reviewing the decision and timely action. Expenditure that results in a non-financial benefit to members must remain consistent with all legal duties and obligations of the RSE Licensee.²⁵

APRA's Supervisory Expectations

In a letter to RSE Licensees dated 22 October 2024, APRA reaffirmed its intent to intensify scrutiny of expenditure, as part of its broader strategy to:

- Promote transparency and accountability;
- Reduce unnecessary or unjustified spending; and
- Improve member outcomes in line with the best financial interests duty.

This aligns with APRA's Corporate Plan 2024–25, which commits to strengthening financial system resilience and delivering fair outcomes for superannuation fund members.²⁶

²⁴ SPS 515 para 21.

²⁵ SPS 515 para 22.

²⁶ APRA, Letter to RSE Licensees, "APRA intensifying supervision of fund level expenditure", available at www.apra.gov.au/apra-intensifying-supervision-of-fund-level-expenditure (22 October 2024).

03

Fit and Proper - Observations and Recommendations



3. Fit and Proper – Observations and Recommendations

Conditions 6(a)-(c)

- 6(a) *Reviewing all of the processes undertaken by the RSE Licensee in assessing whether all of the directors and officers of the RSE Licensee are fit and proper in compliance with fit and proper.*
- 6(b) *Reviewing the adequacy of the RSE Licensee's policies and procedures in relation to fit and proper.*
- 6(c) *Whether, in the opinion of KPMG, the current directors and officers of the RSE Licensee:*
- (i) *were fit and proper at the time they were last assessed by the RSE Licensee; and*
 - (ii) *remain fit and proper in compliance with fit and proper as at the date of the Review.*

3.1 Background and Context

BUSSQ has established policies, procedures and processes to comply with the requirements set out in SPS 520, which inform the fit and proper assessment process for Directors and Officers. These include the:²⁷

- Fit and Proper Policy and Procedures;
- Board Appointment, Removal and Renewal Policy;
- Governance Framework Policy; and
- Skills Competency Assessment Matrix.

Since 1 July 2021 (which is the start of the scope period for Condition 6(a)), the BUSSQ Board has undergone several changes, there have been new Director and Officer appointments, and enhancements have been made to their fit and proper process.

In 2021 the Board was comprised of six Directors appointed by the two nominating shareholders (with three Directors appointed by the CFMEU). In 2022, three Directors submitted their resignation reportedly due to tension at the Board level regarding the strategic direction of the fund. After a consultation process to resolve the disagreement, the relevant shareholder nominated three new Directors to the Board. This also prompted the shareholders and the Trustee to consider a more expansive mechanism in the Constitution for resolving disputes going forward, so that attention could be properly focused on achieving outcomes for members.²⁸

In early 2022 the number of Directors was increased from six to eight. As a result, a new Director was nominated by each shareholder, increasing their respective number of nominees to four each.²⁹ Later in the year, the CFMEU replaced one of their Directors.³⁰

In 2023, BUSSQ undertook a major review of its internal fit and proper process. As a result of this review, several policies and procedures were enhanced to be more comprehensive and more strongly aligned to the guidance in SPG 520. This enhanced fit and proper process then applied to the annual reassessment that Directors and Officers were required to undertake, as well as to any new appointments.

²⁷ BAR&R Policy s 4 (fn 8).

²⁸ These amendments were made in 2024. See the BUSSQ Consolidated Constitution art 52.

²⁹ BAR&R Policy, s 4 (footnote 8).

³⁰ BUSSQ "Our board – leadership and governance at BUSSQ", available at: <https://www.bussq.com.au/about-us/our-people/board>.

In 2024, BUSSQ received notification from the CFMEU Administrator, Mark Irving KC, that he was removing two Directors and nominating two replacements.³¹ These new Directors were assessed in accordance with the enhanced fit and proper process in September of that year.³² Also in 2024 APRA released some minor amendments to SPS 520 that would apply from 30 June 2024, which was integrated into the November 2024 updates BUSSQ then made to the Fit and Proper Policy.³³

3.2 BUSSQ Fit and Proper Processes

The BUSSQ fit and proper assessment process is defined in its Fit and Proper Policy. Directors and Officers (also referred to as **Responsible Persons or RPs**) undergo an initial assessment (prior to appointment to their position) as well as an annual reassessment.

By way of overview the Fit and Proper Policy states that the fit and proper criteria include:³⁴

- General competencies;
- Position competencies; and
- Propriety matters.

The Policy further states that while competence and experience relevant to the position is expected for each individual person holding a Responsible Person position, an acceptable collective level of fitness “may be reached through individual Directors contributing a range of competencies and experience”.³⁵

However, propriety matters (including character, diligence, honesty, integrity and judgement) apply on an individual basis.

The current assessment processes are summarised in the following tables.

Initial Assessment

	Directors	Executives
Initiation	<p>Shareholders are provided with the Fit and Proper Policy which includes details of the competencies needed from individual Directors and the Board as a collective.³⁶</p> <p>Where the Board is aware of an upcoming vacancy, the Board should review if there is any desired competency or diversity attributes (having regard to the Board’s composition and strategic objectives) and notify the Shareholder (including through current Directors).³⁷</p> <p>The relevant Shareholder informs BUSSQ of a new Director appointment in writing (appointee).</p>	<p>Through the application process a person is selected as the preferred candidate for an Executive position (applicant) in accordance with the relevant Role Description.</p>

³¹ BUSSQ Media Release, “BUSSQ announces new board directors”, 12 September 2024.

³² As above.

³³ APRA, “Audit consequential amendments – superannuation”, viewed at www.apra.gov.au/audit-consequential-amendments---superannuation (June 2024). Some Directors and Officers were appointed prior to the updated prudential standard commencing, as such the relevant fit and proper policies, procedures, and processes are those developed in accordance with the SPS 520 established in 2013.

³⁴ Fit and Proper Policy s 5.

³⁵ As above.

³⁶ BAP&P Policy s 5.1.

³⁷ BAP&P Policy s 5.1.

	Directors	Executives
Policies provided	The appointee/applicant is provided a copy of the Governance Framework, Fit and Proper Policy, and the Conflicts Management Policy. ³⁸	
Initial Assessment	<p>The Company Secretary conducts the initial fit and proper assessment (of both appointees and applicants) by:³⁹</p> <ul style="list-style-type: none"> • Requesting and reviewing their current Curriculum Vitae and qualifications. • Requesting that they complete and sign BUSSQ's Fit and Proper Declaration. • Obtaining two character referees to complete and sign Reference Declarations. This may not be required if the appointee/applicant is deemed to be sufficiently well known to BUSSQ. • Requesting that they complete and sign a Statement of Interests and Duties to assess any potential conflicts of interest. • Providing the appointee/applicant with instructions on how to request a Federal Police Check (through BUSSQ's arranged portal), and then provide the completed check to BUSSQ. • Confirming that the appointee/applicant is not disqualified under the SIS Act from holding the position by checking their personal details against the ATO Trustee Disqualification Register, ASIC Banned and Disqualified Person Register, and APRA Disqualification Register. • Conducting a Bankruptcy Register Search using AFSA's National Personal Insolvency Index search using the appointee's/applicant's personal details. 	
Self Assessment	The appointee/applicant will assess their competencies and skills by completing and submitting the Competency Self-Assessment Matrix. ⁴⁰	
Final Assessments	<p>The People, Culture, Remuneration and Nominations Committee (PCRN Committee) reviews the assessment conducted by the Company Secretary and considers the appointee's skills, knowledge, and experience in the Board composition.</p> <p>The PCRN Committee may choose to conduct an interview with the appointee as part of their review. Based on their assessment, the PCRN Committee provides a recommendation of the appointee's Fitness and Propriety to the Board and records the recommendation in Committee minutes.</p> <p>The Board reviews the final Fit and Proper Assessment using the information and recommendations provided by the Company Secretary and PCRN Committee. The Board may conduct an additional interview with the Director as part of its final assessment. A final decision is reached and recorded in Board meeting minutes.</p>	<p>For Executive Manager positions, the CEO conducts the final Fit and Proper Assessment using the information provided by the Company Secretary and will interview the applicant as part of their final decision-making process.</p> <p>The Board will assess the fitness and propriety for CEO and Company Secretary positions, with assistance from the PCRN Committee, the Company Secretary (for the CEO position), and the Executive Manager, Governance, Risk and Compliance (EM GRC) (for the Company Secretary position).⁴¹</p>

³⁸ Fit and Proper Policy s 6.1.1.

³⁹ Fit and Proper Policy s 6.

⁴⁰ Fit and Proper Policy s 6.1.2.

⁴¹ Fit and Proper Policy s 6.1.3.

	Directors	Executives
Appointment	The fit and proper process must be completed before appointment to a Responsible Person position is confirmed. Following a successful Fit and Proper Assessment, the appointee/applicant is then onboarded. ⁴² Responsible Persons reported in interviews that the onboarding process is invaluable to understanding the workings of BUSSQ as a fund.	
Disclosure	<p>BUSSQ will inform APRA of the change in Responsible Person position. For Directors, ASIC is also informed.⁴³</p> <p>The website will be updated to include the new Responsible Person, their qualifications and experience, and their relevant duties and relevant interests will be included on the public register.</p>	

Annual Assessment

	Directors and Executives
Process	<p>The Company Secretary conducts the annual assessment for each Responsible Person as follows:</p> <ul style="list-style-type: none"> Responsible Persons will assess themselves against the Competencies Self-Assessment Matrix. The Self-Assessment Matrix will be reviewed by the Company Secretary. An Annual Fit and Proper Declaration will be completed and signed by each Responsible Person. The Responsible Person informs BUSSQ of any changes in their duties or potential conflicts of interests by completing and signing an updated Statement of Relevant Interests and Duties. The Company Secretary checks the APRA Disqualification Register and ASIC Banned and Disqualified Register to ensure that no Responsible Persons are listed. <p>The EM GRC conducts the annual fit and proper assessment of the Company Secretary.⁴⁴</p>
Peer Review and Final Assessment	<p>The Fit and Proper Policy provides that to improve the rigour of assessing skills and knowledge, the Competencies Self-Assessments completed by Directors will be subject to peer review, initially by the Company Secretary and then the PCRN Committee or the Board (as determined by the PCRN Committee). The PCRN Committee will also evaluate a combined Competencies Matrix that covers all Responsible Persons.⁴⁵</p> <p>The results of the annual assessments are collated by the Company Secretary (and EM GRC) with the outcomes recommended to the PCRN Committee.</p>

Ongoing Declarations

As part of ongoing assessments, confirmation of fitness and propriety is a standing agenda item for every Board and Board Committee meeting. Consequently, every Responsible Person will

⁴² Fit and Proper Policy s 6.1.4. There is a limited exception for interim appointments.

⁴³ Fit and Proper Policy s 8.

⁴⁴ Fit and Proper Policy s 3.4.

⁴⁵ Fit and Proper Policy s 6.2.2.

either declare that they are not aware of any matter that may impact their fitness and propriety, or otherwise raise a matter for consideration. If BUSSQ becomes aware of any information that may impact a Responsible Person's fitness or propriety, an evaluation and investigation will be conducted by the Board or the PCRN Committee until the concern is resolved.⁴⁶

Training Plans

The results of the Fit and Proper Assessment inform training plans for each Responsible Person. The Company Secretary takes a lead role in organising Director training, considering both individual needs and collective Board training. Each Responsible Person is allocated a budget for training purposes.

We note that it is also expected that Directors will within their first year be able to demonstrate:⁴⁷

- An understanding of and ability to implement the principles outlined in s 52 of the SIS Act;
- A working knowledge of the SIS Act and Prudential Standards as relevant to the Trustee's duties;
- Basic knowledge of the elements and application of an RSE Licence, an AFSL and Trust Law;
- Financial literacy; and
- Basic investment knowledge.

(collectively, the **Superannuation Knowledge Requirements**)

Contentious Appointments and Determinations that a person is not Fit and Proper

Where a determination is made that a person does not meet the Trustee's fit and proper criteria (either as a Director or Executive RP), BUSSQ must do everything it reasonably can to ensure the person is not appointed or does not continue to hold their current position.⁴⁸

Under the Board Appointment, Removal and Renewal Policy (**BAR&R Policy**) a Director position becomes vacant if the Director is not considered to meet the Trustee's fit and proper criteria.⁴⁹

In the case of a finding that a proposed Director or current Director is not fit and proper, a meeting with the appointing Shareholder must be convened to discuss a course of action. If the matter cannot be resolved the dispute resolution provisions in the Constitution must be followed.⁵⁰

The Constitution sets out a process for resolving a dispute through four formal stages of Giving Notice, Discussion, Mediation and Expert Determination. Where a dispute cannot be resolved and the matter is referred for Expert Determination, the finding of the Expert is binding on the parties.⁵¹

3.3 Assessment Approach

At a high level, Conditions 6(a), 6(b), and 6(c) require KPMG, in relation to fit and proper, to review processes, review the adequacy of policies and procedures, and to form an opinion as to whether the current Directors and Officers: (i) were fit and proper at the time of their last assessment; and (ii) remain fit and proper at the date of this Review.

⁴⁶ Fit and Proper Policy s 6.2.3.

⁴⁷ Fit and Proper Policy s 5.2.

⁴⁸ Fit and Proper Policy s 6.3.

⁴⁹ BAR&R Policy s 7.

⁵⁰ BAR&R Policy s 5.1.

⁵¹ BUSSQ Consolidated Constitution, art 52. The Constitution was amended in 2024 to provide a more detailed Dispute Resolution process. Additionally, it also provides for a "Pre-appointed Director" process (see art 38). This ensures that vacancies in Directors are filled within appropriate timeframes (particularly if a dispute is on foot regarding the appointment of a Director).

The relevant Conditions apply in respect of “current Directors and Officers”. The In-Scope Directors and Officers are set out in Appendix 2. Collectively and consistent with BUSSQ policies, Directors and Officers are referred to as Responsible Persons.

Fit and Proper Processes

The relevant fit and proper processes are those that are relevant to the assessment of all current Directors and Officers. The current Directors and Officers were appointed between 2022 and 2024. As a consequence, the relevant processes that applied during this period are those applied from 1 July 2021 onwards. By way of background, these processes are explained in the sections immediately above. Relevant observations are set out in the section that follows.

Adequacy of Fit and Proper Policies and Procedures

In assessing the adequacy of current Fit and Proper policies and procedures the following was considered:

- Compliance with SPS 520 and associated guidance in SPG 520;
- Assessment against relevant BUSSQ’s Policies & Procedures; and
- Identification of any enhancements to reflect better practice approaches.

Relevant observations are set out in the section that follows.

KPMG Opinion on Fit and Proper

In forming an opinion as to whether the current Directors and Officers were fit and proper (at the date of the last review), and remain fit and proper (at the date of this Report) KPMG reviewed and analysed all of the last completed BUSSQ fit and proper assessments, conducted the additional assessments (see section 3.5 below), and conducted interviews with each Director and Officer.

We note that the assessment performed was not a Board effectiveness review and was limited to criteria for fit and proper requirements.

3.4 Fit and Proper Processes, Policies and Procedures (Conditions 6(a) - 6(b))

Consistent with Conditions 6(a) and 6(b), in this section we report on our review of the fit and proper processes and our assessment of the adequacy of the current policies and procedures.

The fit and proper processes since 1 July 2021 are described in section 3.2 above.

The fit and proper policies and procedures relevant to this assessment are:

- Fit and Proper Policy (June 2023 and February 2025 Version);
- Governance Framework Policy (November 2024 Version);
- Board Appointment, Removal and Renewal Policy (December 2024 Version); and
- Competency Self-Assessment Matrix (August 2024 and February 2025 Version).

KPMG is comfortable with the adequacy of the BUSSQ fit and proper policies and procedures, having regard to compliance with SPS 520, and we note aspects of better practice in the observations that follow.

The following sections detail our observations, recommendation, as well as opportunities for further better practice enhancements.

3.4.1 Observations

Role of Company Secretary

The Company Secretary plays a key role in the fit and proper process due to his in-depth knowledge of the fit and proper arrangements, relevant policies, procedures and practices, and the guidance provided for the completion of self-assessments. In consultations, Directors and Officers described the assistance and guidance provided by the Company Secretary during the completion of BUSSQ's Fit and Proper Assessment as sufficient and comprehensive. To mitigate against key person risk, BUSSQ cross-skills key personnel in relation to Fit and Proper Assessment processes (including the EM GRC who is responsible for completing the Fit and Proper Assessment for the Company Secretary).

Self Assessments

The Competency Self-Assessment required to be completed by Directors and Officers (both initially and annually) is aligned to the Board competencies skills matrix. This provides consistency between the Board's assessment of skills required and the fit and proper process, and is evidence of better practice.

Executive RPs (as Officers) also complete the skills matrix aspect of the Self-Assessment. While assessment against the relevant role description statement is more indicative of an Executive's experience and fitness for the role, it was evident in interviews that the CEO and leadership team valued a view of the collective competencies at the leadership team level.

The Competency Self-Assessment was recently redesigned to require rating against a 4-point scale instead of a 3-point scale. This allows for a more nuanced assessment of competencies.

Ongoing Declarations

Confirmation of fitness and propriety is a standing agenda item for attendees at each Board and Board Committee meeting. At this time, the Directors and Officers attending will either reaffirm that no matters have arisen that would impact their fitness and propriety or disclose any matters for consideration. This provides an ongoing consideration of fitness and propriety between annual assessments.

Dispute Resolution

Where it is determined that a Director is not fit and proper, the Fit and Proper Policy, Board Appointment, Renewal and Removal Policy, and the Constitution collectively provides a process for resolving this issue. This process is set out above at section 3.2.

This is a strong enhancement that was implemented in 2024 and provides an effective bridge between the right of a shareholder to nominate, and the need for a Director to be fit and proper.

Immaterial Discrepancy

We noted that as part of two previous instances of Fit and Proper Assessments conducted in 2022, there were mis-recorded birthdates as part of applications for checks of the National Personal Insolvency Register. As a result, these checks were not correctly completed in accordance with the Fit and Proper Policy at that time. When these instances were flagged during the Review, BUSSQ provided other offsetting information in terms of individual checks with the correct personal details. However, BUSSQ also resubmitted the checks with the correct birthdates to ensure that these Directors had accurate fit and proper documentation in compliance with the Fit and Proper Policy. We note that these inconsistencies were minor and were a result of transposition errors only.

3.4.2 Recommendations and Enhancements

Consistent with Condition 6(b), the following sets out one recommendation and opportunities for better practice enhancements for BUSSQ's consideration.

#	Recommendation
R.1	<p>Implement a more formal process to document a record of the completion of the Fit and Proper Assessment for Executive Responsible Persons</p> <p>The fit and proper process for Executive Responsible Persons is conducted in conjunction with the recruitment process. The CEO is responsible for conducting the final Fit and Proper Assessment. There is currently no final record of the CEO's final assessment decision.</p> <p>For completeness, we recommend a process be implemented to document the final approval of Fit and Proper Assessment for Executive Responsible Persons and that this final approval be communicated to the PCRN Committee for noting.</p>
#	Enhancements
E.1	<p>Consider enhancing the Competency Self-Assessment rating guidance to be more specific</p> <p>BUSSQ has recently enhanced the Competency Self-Assessment Matrix by increasing the rating scale from a 3-point scale to a 4-point scale. We recommend that BUSSQ consider including in the rating guidance more detailed specific and objective criteria, to promote further objectivity and consistency during the rating.</p> <p>There is an opportunity to enhance the current processes by formalising the informal assistance and guidance that the Company Secretary provides to Responsible Persons during the Competency Self-Assessment process. This could take the form of accompanying guidance.</p> <p>Together these enhancements reduce key person risk and reliance on the Company Secretary, and may also assist the peer review process.</p>
E.2	<p>Consider documenting additional assessments informally included as part of the Fit and Proper Assessment approach</p> <p>SPG 520 suggests that Fit and Proper Assessments would ordinarily include determining whether the person "has demonstrated the appropriate competence and integrity in fulfilling occupational, managerial or professional responsibilities previously and/or in the conduct of their current duties".⁵² It also suggests that initial assessments should include "evidence of material qualifications".⁵³</p> <p>While BUSSQ checks each of these components informally, there is currently no requirement within the Fit and Proper Policy to:</p> <ul style="list-style-type: none"> • Include professional references for appointees/applicants as part of the Fit and Proper Assessment process (noting that they are likely obtained as part of the recruitment process); or • Obtain evidence of material qualifications (for both Directors and other Responsible Persons).

⁵² SPG 520 para 15(ii).

⁵³ SPG 510 para 32.

Enhancements

We recommend that BUSSQ enhance its documentation of these informal processes to include these components in the formal fit and proper process (or otherwise provide a rationale as to why evidence was deemed not to be required).

We also note that BUSSQ's current processes do require character references to be obtained.

E.3 Consider including compulsory minimum training requirements for Directors

The current training requirements for all Responsible Persons include a minimum of 40 hours training over a two-year period, with SIS Act and Trust Law training to be completed in the first six months of appointment and investment knowledge training to be completed in the first twelve months of appointment.

Directors also undertake training through onboarding (on initial appointment), and through their individual training plans.⁵⁴

There is an opportunity to enhance the Fit and Proper Policy by specifying a minimum compulsory training requirement for Directors that must be completed within the first 12 months of appointment, such as the AICD Directors course or equivalent (unless it has already been completed).

This approach complements the expectation set out in the Fit and Proper Policy for Directors to have demonstrated an understanding of the Superannuation Knowledge Requirements within the first 12 months of appointment.⁵⁵ We also understand through interviews that this approach is encouraged by the Chair and CEO, but believe there is benefit in formalising a minimum compulsory requirement.

E.4 Consider incorporating FAR accountability statements as part of the Fit and Proper Process

For Executive RPs the Fit and Proper process relies on the position description as the criteria against which fitness competencies are assessed. With the recent commencement of the Financial Accountability Regime (**FAR**) we recommend that BUSSQ consider integrating FAR accountability statements as part of Fit and Proper process (so that Executive RPs are assessed against a combination of the Position Description and the related accountability statement).

E.5 Provide more detail in Board minutes regarding the consideration of recommendations provided by PCRN Committee over Director Fit and Proper Assessments

We recommend that BUSSQ considers reviewing the detail in Board minutes to ensure that there is a sufficient record of Board consideration, rationale and decision of the fit and proper recommendations presented to the Board by the PCRN Committee for the potential Director.

⁵⁴ BAR&R Policy s 5.1(9).

⁵⁵ Fit and Proper Policy s 5.2 (see above under "Training Plans").

3.5 Fit and Proper Director and Officer Assessments (Condition 6(c))

3.5.1 Observations

Consistent with Condition 6(c), KPMG is required to form an opinion as to whether all current Directors and Officers: (i) were fit and proper at the time of their last assessment; and (ii) remain fit and proper at the date of this Review.

A summary of the fit and proper checks undertaken by KPMG to support this assessment is as follows:

- A review of the last Fit and Proper Assessment undertaken by BUSSQ for each Director and Officer.
- Obtaining new Fit and Proper Declarations for every Director and Officer by applying BUSSQ's initial Fit and Proper Declaration template.
- Completion of new Competency Assessments for every Director and Officer, using the 2024 BUSSQ fit and proper policies and procedures and 2025 BUSSQ fit and proper policies and procedures. This was a self-assessment undertaken by every BUSSQ Director and Officer.
- Independent insolvency checks conducted by KPMG on each Director and Officer via the Australian Financial Security Authority Bankruptcy Register search.
- Verification by KPMG that there were no Directors or Officers listed in the ASIC Banned and Disqualified Person Register, APRA's Disqualification Register, or the ATO Disqualified Trustees Register.
- A review by KPMG of the ASIC name search results for each Director and Officer to verify the information contained in the Trustee's Register of Relevant Interests and Duties and identify any potential conflicts of interest.
- A review by KPMG of search engine, media articles, and social media results for each Director and Officer.
- A review by KPMG of the qualifications completed by each Director and Officer as listed on their curriculum vitae when appointed to the role and verification of the validity of the qualification.
- Interviews with each Director and Officer.

Due to time constraints KPMG did not conduct additional criminal background checks, but was comfortable with the checks completed by BUSSQ supplemented by the additional KPMG research.

The above assessments were undertaken between 12 May 2025 and 3 June 2025, and we have relied upon the analysis during this time period to form a view at the date of this Review.

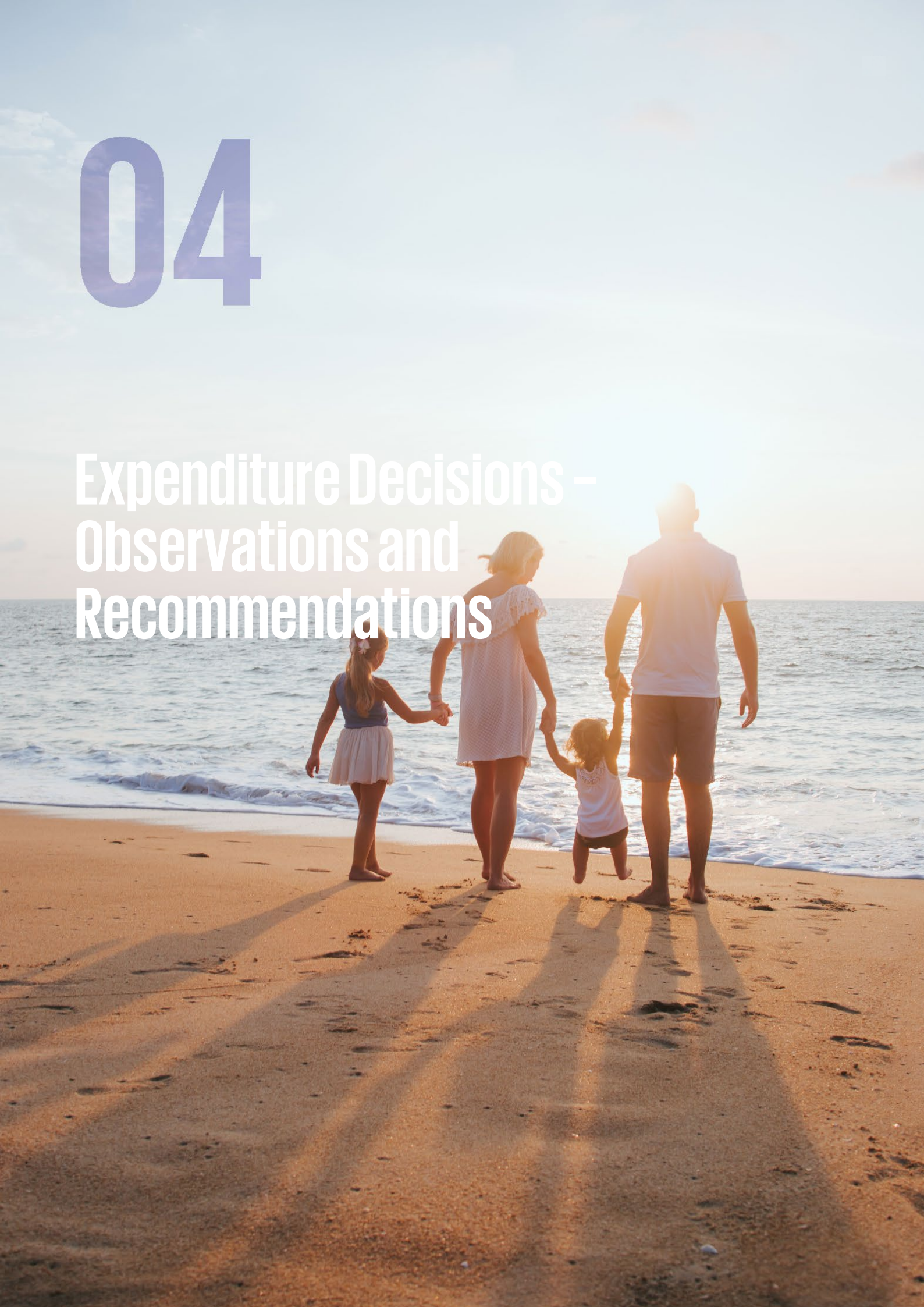
3.5.2 Overall Conclusion

Having regard to the assessment conducted, KPMG concludes that BUSSQ's current Directors and Officers:

- (i) were fit and proper when they were last assessed by BUSSQ; and
- (ii) remain fit and proper in compliance with SPS 520 as at the date of this Review.

04

Expenditure Decisions – Observations and Recommendations



4. Expenditure Decisions – Observations & Recommendations

4.1 Introduction

Identification of In-Scope Expenditure

Under Condition 6(d), this Review covers all BUSSQ expenditure decisions connected with the CFMEU that were in effect or being made as at 1 June 2024. The relevant expenditure decisions were identified as:

- BUSSQ Board’s approval of the CFMEU Sponsorship Agreement Business Case for FY24 and FY25 (as per Business Case Paper to the Board in June 2023 and April 2024 respectively).
- BUSSQ Board’s approval of the CFMEU Arrears Collections Agreement Business Case for FY24 and FY25 (as per Business Case Paper to the Board in June 2023 and June 2024 respectively).
- BUSSQ Board’s approval of the PCRN Committee paper on annual Directors and Committee Attendees remuneration review for FY24 and FY25 (as per PCRN Committee Paper to the Board on 21 June 2023 and 26 June 2024), limited to CFMEU nominated Directors.

(collectively **In-Scope Expenditure Decisions**).

A detailed summary of the In-Scope Expenditure Decisions is set out in Appendix 3.

Context of In-Scope Expenditure

The background context of the expenditure items is described in the table that follows.

Sponsorship	BUSSQ has a relationship with the CFMEU which forms part of BUSSQ’s growth and retention strategies and is highlighted within the Fund’s strategic plan. BUSSQ has an annual sponsorship agreement with the CFMEU which sets out the services (e.g. sponsorship and event activities) to be provided by the CFMEU in return for a flat annual fee.
Arrears Collection	Annual compliance agreements are entered into with the CFMEU for the sole purpose of collecting arrears of superannuation contributions from employers. The services of the CFMEU are expressed to assist in ensuring members receive superannuation entitlements within the terms of their employer’s Enterprise Bargaining Agreements (EBA).
Director Remuneration (CFMEU only)	<p>Directors (including Directors appointed by the CFMEU) on the BUSSQ Board receive fees (including Superannuation Guarantee) for their services, plus the reimbursement of reasonable expenses. For the CFMEU appointed Directors who are also employees of the CFMEU, the director fees are paid to the CFMEU.</p> <p>In accordance with the Remuneration Policy, Directors’ fees are reviewed annually and are determined by the Board (following consultation with the PCRN Committee).</p>

Assessment Approach

In line with Conditions 6(d) and 6(e), a review of the In-Scope Expenditure Decisions connected with the CFMEU, and an assessment of the adequacy of BUSSQ's policies and procedures in relation to expenditure decisions, has been by reference to the BFID.

KPMG has also considered its BFID Decision-Making Framework in the assessment of BUSSQ's processes for expenditure decisions and the adequacy of BUSSQ's policies and procedures. This Framework is set out in Appendix 5, with the focus of the Framework being the relevant steps in a trustee's decision-making process.

The BFID decision-making process can be summarised by three main themes:

Preparation	Assessment	Documentation and Review
Conflicts assessment	Link to business plan	Documentation of decision
Consideration of data and evidence required	Assessment of expected member impact (including use of data and metrics)	Monitoring of benefit realisation
Collection of data		Triggers for review and re-assessment
Stakeholder engagement		

The assessment aspect of the BFID decision-making process is the most critical, as this is where the impact on the financial interests of members is considered and assessed. Data and metrics are required to analyse the expected member impact (both positive and negative). This is the core assessment for analysing if an expenditure is in the best financial interests of members.

Specifically, our review approach is structured consistently with the relevant Conditions as follows:

BUSSQ Processes for Expenditure Decisions (4.2 below)

- For each In-Scope Expenditure type describing BUSSQ processes, purpose, metrics and oversight arrangements (**Prescribed Factors**). Condition 6(d)(i)-(iv)
- Making observations and recommendations.

Assessment of BUSSQ Expenditure Decisions (4.3 below)

- For each In-Scope Expenditure type, documenting our observations and assessment (having regard to the Prescribed Factors) as to whether the Expenditure Decisions were made for sound and prudent management of the RSE Licensee's business operations. Condition 6(d)(v)

Adequacy of BUSSQ current policies and procedures in relation to Expenditure Decisions (4.4 below)

- Having regard to BUSSQ policies and procedures more generally in respect of Expenditure Decisions, making: Condition 6(e)
 - Observations; and
 - Recommendations and Enhancements.

Where deficiencies have been identified, we have provided recommended steps which BUSSQ should take to rectify these deficiencies (in accordance with Condition 6(f)).

4.2 BUSSQ Expenditure Decisions – Process, Purpose, Metrics and Oversight

- 6(d) *Reviewing all Expenditure Decisions of the RSE Licensee connected with the CFMEU that were in effect or being made as at 1 June 2024, by reference to BFID, including in relation to:*
- (i) *the processes undertaken by the RSE Licensee in relation to the making of Expenditure Decisions;*
 - (ii) *the identified purpose of the Expenditure Decisions, including how the expenditure would contribute to the RSE Licensee meeting its strategic objectives;*
 - (iii) *what metrics, measures or alternatives (if any) were used to assess whether the expenditure would reasonably achieve its intended purpose and was consistent with BFID;*
 - (iv) *what oversight arrangements were implemented by the RSE Licensee to monitor implementation of Expenditure Decisions;*

4.2.1 Overview

Consistent with Condition 6(c)(i) - (iv) we summarise the processes, purpose, metric and oversight arrangements in respect of In-Scope Expenditure Decisions. In the section that follows we draw our observations on these factors by reference to BFID.

Sponsorship Expenditure Decisions	
Overview of Process	<p>The Executive Manager of Member Engagement prepares the sponsorship agreement business case, which details the analysis / assessment undertaken in accordance with the principles outlined in the relevant Sponsorship & Partnership Policy (SPP) (July 2022 Version).</p> <p>The SPP outlines requirements for business cases including a BFID analysis (budget / financial impact), member benefits analysis and competitor assessment.</p> <p>The Board approved sponsorship business cases above \$10,000 or those not included in the budget in line with the SPP.</p> <p>The process has subsequently changed, with sponsorship business cases now presented to the Member Services Committee, prior to be considered by the Board.</p> <p>The agreement between BUSSQ and the CFMEU, with the terms and conditions for these services is approved separately.</p>
Purpose and Metrics	<p>The relevant sponsorship business cases detailed the purpose of the expenditure and the link to business plan / strategic objectives (for example, sustainability and growth). It is also examined the expected financial benefits and other member benefits, such as:</p> <ul style="list-style-type: none"> The expected administration fee and indirect fee revenue (e.g. \$1.3m annualised for FY25) generated from new members and members retained within BUSSQ exceeded the proposed sponsorship cost (e.g.\$165,000 for FY25). Amongst other benefits, BUSSQ is provided exclusivity to the CFMEU and BUSSQ members and potential members, and direct access to these members via worksites.

Sponsorship Expenditure Decisions

Monitoring and Oversight	<p>Sponsorship business cases also included metrics (e.g. fee revenue) and triggers for monitoring the outcomes of the expenditure (e.g. the tolerance / target level of the fee revenue was set at being greater than 10% / 25% above the break-even amount of the sponsorship cost (\$150,000 for FY24 and \$165,000 for FY25).</p> <p>Sponsorship arrangements and events were monitored quarterly as part of the operational reporting (specifically through the Sponsorship and Agreement Tracker and sponsorship metrics assessment) and reported to the Board. Annual sponsorship outcome assessments were also undertaken in accordance with the SPP over the review scope period. The sponsorship activity levels achieved during the previous financial years were factored into the sponsorship business case for the following year.</p>
--------------------------	--

Arrears Collection Decisions

Overview of Process	<p>The arrears collection expenditure decision-making follows a similar process to sponsorship expenditure.</p> <p>The Executive Manager of Fund Operations prepares the arrears collection business case which details the BFID analysis (budget / financial impact), target market / member benefits analysis, analysis of alternative options and risk assessment.</p> <p>The Board approves all arrears collection business cases in line with the EMF (i.e. the Board approves significant expenditure decisions where a significant expenditure is defined to include the payment of any expenses amounting to \$50,000 or above or 0.25% of total budget).</p> <p>The process has subsequently changed, with arrears collection business cases now being presented to the Member Services Committee, prior to be considered by the Board.</p> <p>The agreement between BUSSQ and the CFMEU with the terms and conditions for this service is approved separately.</p>
Purpose and Metrics	<p>The arrears collection business cases detailed the purpose of the expenditure, the link to the business plan / strategic objectives (e.g. sustainability and growth). It also examined the expected financial benefits and other member benefits, such as:</p> <ul style="list-style-type: none"> • The total amount in contribution arrears recovered by the CFMEU is expected to significantly exceed the proposed fee paid to the CFMEU. • Amongst other benefits, members benefit from these agreements as EBA employers are contractually obligated to remit monthly contributions within 14 days of the end of each calendar month. Receiving regular contributions on time enables members to maintain their default insurance arrangement for ongoing protection (which is critical for members working in the building and construction industry). <p>The arrears collection business cases also included metrics and triggers for monitoring the outcomes of the expenditure, such as:</p>

Arrears Collection Decisions

	<ul style="list-style-type: none"> Metrics: the dollar amount of arrears collected and the members in arrears as a percentage of total membership is less than 10%. Target and tolerance levels: the tolerance level of the arrears collected was set at being less than \$5m per annum for FY25, with the target set at the level aligned to the level recovered over the preceding years (ranging from \$8m to \$10m per annum over CY22 – CY24). <p>We note the total proposed cost of \$338,000 for FY25 (including fees payable to the CFMEU (approx. \$160,000), fees payable to the other BUSSQ sponsoring shareholder, and an allocation of remuneration for BUSSQ staff).</p> <p>Further, the arrears collection business cases also examined alternative options such as ceasing the arrangements with the CFMEU and employing a debt collection agency. However, this option would incur a commission of approximately 15% of the amount recovered (or equivalent to approximately \$1.3m based on recoveries for CY23), which is significantly higher than the flat service fee paid to the CFMEU (approx. \$160,000 for CY23), demonstrating fair value for members.</p>
Monitoring and Oversight	<p>BUSSQ has a dedicated resource working with the CFMEU stakeholders for daily monitoring of arrears collection activities. Regular reporting on arrears collection metrics is undertaken by BUSSQ management.</p>

Remuneration Decisions

Overview of Process	<p>The annual remuneration review for Directors followed the procedures outlined in the Remuneration Policy. The Board is responsible for making decisions, with the recommendation of the PCRN Committee and assistance and advice of the CEO. The relevant Committee paper and Board paper included details of an industry survey on Director remunerations for benchmarking. We note that the Constitution states that the remuneration for the services for any Director shall be fixed by the Directors from time to time.⁵⁶</p> <p>For the CFMEU appointed Directors, who are also employees of the CFMEU, the director fees are paid to the CFMEU.</p>
Purpose and Metrics	<p>There is no direct strategic implication of the annual director remuneration decisions. It is viewed as a required operational expense for the prudent operation of the fund. Remuneration for Directors is accounted for in BUSSQ's Fund Budget with the annual fee increase consistent with the average increase for employees' salaries (based on our review of the annual director remuneration review for FY24 and FY25).</p> <p>The PCRN Committee is responsible for reviewing and recommending Director fees each year. Director remuneration is determined based on consideration of the skills, knowledge, time and effort required to perform Board and Committee responsibilities, and is benchmarked against industry standards (e.g. the Fund Executives Association Ltd (FEAL) Super Board Remuneration Survey and</p>

⁵⁶ Subject to the Relevant Requirements (which means subject to any law or prudential standards); BUSSQ Constitution art 36. Under the BUSSQ Trust Deed the Trustee is permitted to pay itself a reasonable remuneration for its services as trustee (clause 10.6).

Remuneration Decisions	
	<p>Industry Fund Benchmarking undertaken by an independent consultant for industry fund executive and non-executive remuneration).</p> <p>BUSSQ's Director remuneration on average falls within the 3rd or 4th quartile depending on the survey and industry peer group range applied.</p>
Monitoring and Oversight	The monitoring of Director performance is by the Chair, Director attendance at Board and Board Committee meetings, and through Board effectiveness reviews.

4.2.2 Observations

Reflecting on our review of the BUSSQ processes and business cases and having regard to BFID and the KPMG Decision-Making Framework, we make the following observations, categorised by theme.

BUSSQ Frameworks, Policies and Processes

- The processes undertaken in making the In-Scope Expenditure Decisions for sponsorship agreements and arrears collection agreements with the CFMEU (for FY24 and FY25), and the annual remuneration review for Directors (for FY24 and FY25) followed the requirements set out in the relevant BUSSQ framework and policies relating to the type of expenditure.

Conflicts of Interest

An initial step in preparing a proposal or business case (and a BFID assessment) should be to identify any relevant conflicts and consider if the conflicts can be appropriately managed or should otherwise be avoided. Any controls to manage the conflict should be implemented and documented. Conflicts should also be considered at differing levels or layers. For example, one situation may encompass both:

- Director conflicts (because of another interest a Director has or role that they perform); and
- Entity conflicts (such as a related party arrangement).

The controls to manage these different conflicts vary. The first may involve a Director disclosing the conflict, stepping out of a Board meeting and not participating in a decision. The second is commonly managed through evidence demonstrating the related party arrangement is concluded as if on an arm's length basis, and with appropriate information barrier arrangements put in place through negotiation and finalisation of the agreement.

Conflicts management should then be considered through the course of the performance of the arrangement (particularly where something goes wrong, and the trustee needs to consider how to address the lack of performance or issue).

Appropriately managing a conflict (or avoiding a conflict) is critical to ensuring that the interests of the beneficiaries are prioritised in the event of a conflict (as is required by the SIS Act trustee and trustee director covenants).⁵⁷ It is also a prerequisite for a Board being in a position to make a best financial interests decision.

⁵⁷ SIS Act s 52(2)(d), s 52(2A)(d) which requires in the event of a conflict, for the duties to, and interests of, beneficiaries to be prioritised, for the duties to beneficiaries to be met, and for the interests of the beneficiaries not to be adversely affected, and for the prudential standards to be met. See also the "Identify" step in the KPMG Decision-making Framework (Appendix 5).

We note that superannuation funds in the industry have addressed the management of conflicts through incorporating differing levels of independence throughout the decision-making process, by adopting one of or a combination of the following methods:

- An independent review of business cases and evidence (e.g. independent validation that the value and terms and conditions of sponsorship agreements are on a commercial basis);
- Conducting a tender for the services to be provided;
- Constitution of a standing conflict management committee, that the Board delegates its decision-making authority to (by charter) in specific instances;
- Appointment of an independent Chair and / or an independent Adviser on the relevant Board committees; and
- Appointment of independent Directors on the Board (note this may require a change of the Constitution).

In respect of conflicts identification and management we observed the following.

- Documentation of the assessment and management of conflicts related to the In-Scope Expenditure Decisions was not aligned to the requirements of the BUSSQ Conflicts Management Policy (**CMP**) (Dec 2022 / May 2024 versions), in that:
 - The CMP requires, as a minimum, the maintenance of records of any assessment or evaluation of perceived, potential or actual conflicts, records evidencing actions taken to respond to conflicts, and minutes of meetings disclosing or discussing management of conflicts.

The business cases reviewed (which were also presented as Board papers) did not include a section on conflicts considerations. We note associated Board minutes indicated conflicts were declared and management of conflicts was discussed before making expenditure decisions.

We note that our observations are in respect of the Expenditure Decisions in effect (or being considered) on 1 June 2024. The current (2025) version of the business case template has been enhanced to include an assessment of conflicts.

See Recommendation 2

- While conflicts were generally identified by BUSSQ in respect of the expenditure decisions, our observation is that the management of conflicts (across all In-Scope Expenditure) lacks sufficient detail in relation to the controls that are used to manage a conflict in respect of both director level conflicts and entity (related party) level conflicts. For example, demonstrating and evidencing in the business case (that was also presented as a Board paper) that:
 - Controls were put in place for negotiation of a related party agreement (such as the sponsorship agreement) on an arm's length basis; and
 - The terms and conditions of the arrangements were also on an arm's length basis.

This is not to suggest that conflicts were not identified but rather that the documentation and analysis can be improved, and the relevant evidence (to demonstrate the conflict is managed) can be explicitly obtained and documented. See also our observation regarding the conflicts policy and action plans at 4.4.2.

See Recommendations 3 & 10

- The BUSSQ Board approves all sponsorship and arrears collection expenditure decisions. Given the composition of the Board (i.e. four Directors were appointed by the CFMEU, three of whom are CFMEU employees), there is the potential for the Board to be in a position where they are unable to make a decision because, if Directors are required to step out of the Board room to manage a conflict, the Board may lack the required quorum. The Constitution provides that the number of Directors present for a valid quorum is not less than two-thirds of all Directors.⁵⁸

BUSSQ should give further consideration to:

- The requirements of the BUSSQ Constitution and the role of CFMEU nominated Directors in participating and making decisions, particularly for arrangements where they may have an interest by virtue of their role within the CFMEU;
- Considering a potential situation where, if because more than one CFMEU nominated Director is unable to participate in the Board decision-making (for that agenda item), the means by which the conflict can be managed; and
- Putting in place a standing plan for how conflicts will be managed for CFMEU related arrangements.

See Recommendation 3

Business Cases

- Although the BUSSQ Sponsorship Business Cases identified metrics for the analysis of fee revenue obtained by BUSSQ from the EBA members associated with the CFMEU sponsorship agreement, we identified the need to uplift the metrics used in the assessment of the CFMEU sponsorship expenditure within the business cases. Further analysis is required by BUSSQ to assess how the CFMEU sponsorship expenditure impacts member outcomes (such as analysis of net fee revenue (fee revenue from members less costs to serve)) and consideration of the fair value of the CFMEU sponsorship expenditure.

See Recommendation 4

- While Sponsorship Agreements and Compliance Agreements were usually attached to the relevant business cases for BUSSQ Board's consideration, the business cases did not examine the material terms and conditions of the agreements with the relevant parties (e.g. liabilities, ability to terminate, etc.). Such terms and conditions may impact the BFID analysis, particularly if there are provisions relating to potential liabilities or penalties.

See Recommendation 4

Monitoring and reporting

- Monitoring and reporting on arrears collection activities did not meet the requirements outlined in the relevant EMF and business cases for FY24 and FY25. Specifically:
 - The EMF sets out requirements for monitoring and reporting on significant expenditures (i.e. the Trustee will undertake regular reviews to assess whether it is achieving its intended purpose) based on the member outcome criteria and metrics established in the original business case.
 - While there is daily monitoring of arrears collection activities through a dedicated resource, reporting to the Board / relevant Board committees has been limited to annual business case papers and annual member outcomes assessment (a qualitative assessment of the arrears collection services provided to members).

See Recommendation 5

⁵⁸ BUSSQ Consolidated Constitution art 45.

Reference to Best Financial Interests

- The annual remuneration review papers for the Board and the PCRN Committee did not specifically reference best financial interests obligations. While remuneration for Directors can be seen as a required expense (for the purposes of operating the fund), from a best financial interests perspective it is necessary to consider whether the expense is an appropriate amount (or fair value). While this was appropriately considered through the use of industry benchmarking, the analysis was not explicitly linked to the best financial interests obligation.

See Recommendation 6

4.2.3 Recommendations

In accordance with Condition 6(f), the following sets out the recommended steps to assist BUSSQ to address the deficiencies identified in the review.

Recommendations

R.2 Enhance documentation of the identification and management of conflicts in relation to business cases relating to expenditure decisions

- Document the assessment and management of conflicts for expenditure decisions in accordance with the requirements under the CMP. This can be achieved by including a section on conflicts considerations in the business case templates, as well as (where necessary) the development of a conflicts management protocol (see R.3 below).

We note that the current 2025 BUSSQ business plan template includes a conflicts section.

Recommendations

R.3 Enhance the assessment of conflicts and the controls necessary for the management of conflicts in relation to expenditure decisions (for arrangements with the CFMEU)

- Develop a conflicts management protocol (or plan) that addresses proposed expenditure decisions or proposals for arrangements with the CFMEU that:
 - Identifies each instance of conflict arising (both director level and entity level conflicts);
 - Assesses and explains the nature of each conflict;
 - Sets out the specific disclosures / controls / documentation required having regard to the nature and extent of the conflict (including the roles and responsibilities of management in respect of the protocol); and
 - Considers how the conflicts are managed during the ongoing monitoring of the arrangement.
- In developing the protocol consider:
 - The requirements of the BUSSQ Constitution and the role of CFMEU nominated Directors in participating and making decisions, particularly for arrangements where they may have an interest by virtue of their role within the CFMEU;
 - A potential situation where the Board is unable to form a quorum because certain Directors are unable to participate in decision-making (for that agenda item), the means by which the conflict can be managed;
 - The controls and information barriers that need to be in place;
 - Better practice conflict management approaches adopted in the industry;
 - The degree of external evidence required to demonstrate that a related party agreement is negotiated and formed as if it is on an arm's length basis; and
 - Roles and responsibilities in respect of the protocol.
- Consideration of the level and nature of controls required will in turn depend on the nature, frequency and depth of the conflict.

R.4 Enhance the BFID analysis within the CFMEU Sponsorship Business Cases

- Develop additional metrics around how the CFMEU Sponsorship Expenditure enhances member outcomes including consideration of further analysis of:
 - The net benefits to members (i.e. fee revenue less cost to serve members);
 - Delineating members acquired and members retained (and the net benefit for the two groups); and
 - Linking the financial benefits from net fee revenue to member fee projections.
- Include analysis in the business cases to demonstrate that the material terms and conditions (e.g. liabilities, ability to terminate) of the agreements with the relevant parties have been adequately examined to consider any impact on the best financial interests analysis.

Recommendations

	<ul style="list-style-type: none"> Undertaking further analysis of the costs of other comparable arrangements (e.g. advertising spend to promote BUSSQ brand and attract prospective members) so that BUSSQ can demonstrate and document consideration of fair value for members for the various services delivered by the CFMEU sponsorship expenditure.
R.5	<p>Enhance reporting on arrears collection arrangements to the relevant Board Committee for greater oversight</p> <ul style="list-style-type: none"> Enhancing the regular arrears collection reporting presented to the relevant Board Committee for greater oversight. <p>We note that BUSSQ management has advised that they are currently working on having an update on arrears collection included in the strategic objectives monitoring and reporting, and capturing arrears collection activities in the Executive Summary of the Administration Services paper for each Member Services Committee meeting from June 2025.</p>
R.6	<p>Update the annual remuneration review papers for Board and the PCRN Committee to include references to the best financial interests obligations</p> <ul style="list-style-type: none"> Updating the PCRN Committee and Board papers for the annual remuneration review for Directors to incorporate appropriate references to the best financial interests obligations to demonstrate prudent consideration of BFID in making decisions on Director remuneration.

4.3 Assessment of BUSSQ Expenditure Decisions (Condition 6(d)(v))

Reviewing all Expenditure Decisions of the RSE Licensee connected with the CFMEU that were in effect or being made as at 1 June 2024, by reference to BFID, including in relation to:

- (v) *whether the Expenditure Decisions were made for sound and prudent management of the RSE Licensee's business operations, including by whether the:*
- (A) *stated benefit of any arrangement or contract was obtained by the RSE Licensee;*
 - (B) *expenditure achieved its intended purpose;*
 - (C) *goods or services (as the case may be) to be delivered under any arrangement or contract were obtained by the RSE Licensee;*
 - (D) *expenditure provided fair value for beneficiaries of the Building Unions Superannuation Scheme (Queensland) ABN 85 571 332 201 and the BUSS (Queensland) Pooled Superannuation Trust ABN 39 219 239 244; and*
 - (E) *stated metrics, if any, that were set during the RSE Licensee's BFID assessment were met.*

Our observations in relation to the above Condition are summarised below, along with an overall conclusion for each of the expenditure categories.

4.3.1 Sponsorship Expenditure Decisions

Observations

Based on our review of the reporting to the BUSSQ Board, the in-scope Sponsorship Expenditure Decisions have, consistent with what is set out in the business cases, achieved their intended purposes and stated benefits, whilst the stated metrics were also met.

As evident in the Sponsorship and Agreement Trackers reviewed, services (i.e. sponsorship events and activities) have been delivered in accordance with the Sponsorship Agreement with the CFMEU.

Analysis of alternative options was undertaken by BUSSQ on a qualitative basis in relation to the CFMEU sponsorship expenditure, such as ceasing the existing sponsorship arrangements. This would result in BUSSQ not obtaining accessibility to worksites and needing to increase advertising spend to attract new members and retain existing members linked to employers under the CFMEU. Further analysis and detail should be included as to how the CFMEU sponsorship expenditure provides fair value for the beneficiaries of BUSSQ (based on analysis of the costs of other comparable arrangements).

Overall Conclusion

Having regard to the factors (A), (B), (C) and (E) set out in Condition 6(d)(v), KPMG concludes that BUSSQ followed its own procedures, achieved the stated purpose of the sponsorship expenditure, satisfied the metrics and demonstrated the expected stated benefits as set out in the business cases, and instituted triggers for monitoring outcomes. These factors are consistent with a view that the in-scope CFMEU Sponsorship Expenditure Decisions were made for the sound and prudent management of BUSSQ's business operations.

However, in respect of factor (D) set out in Condition 6(d)(v), KPMG recommends that BUSSQ give further consideration to how it documents the provision of fair value by means of articulating the costs of comparable arrangements, which in turn will also provide further documented evidence demonstrating the arrangements were on an arm's length basis.

4.3.2 Arrears Collection Expenditure Decisions

Observations

Based on our review of the reporting to the BUSSQ Board, the in-scope Arrears Collection Expenditure Decisions have achieved their intended purposes and stated benefits, while the stated metrics were also met.

The amount in arrears recovered through the CFMEU for the previous financial years (FY22 – FY24) were reported to the Board in the business case Board papers. We note there was no formal reporting to the Board or Member Services Committee on the services set out in the Compliance Agreement with the CFMEU (albeit daily monitoring of arrears collection activities was undertaken via a dedicated BUSSQ resource).

The in-scope arrears collection business cases also examined alternative options such as ceasing the arrangements with the CFMEU and employing a debt collection agency. However, this option would incur a commission of approximately 15% of the amount recovered (or equivalent to approximately \$1.3m based on recoveries for CY23). This is significantly higher than the flat service fee paid to the CFMEU (approx.\$160,000 for CY23), demonstrating fair value for members.

Overall Conclusion

While there are recommendations made for the enhancement of Board / committee reporting on these expenses, having regard to the factors set out within Condition 6(d)(v), KPMG concludes that the in-scope CFMEU Arrears Collection Expenditure Decisions were made for the sound and prudent management of BUSSQ's business operations.

4.3.3 Director Remuneration Expenditure Decisions

Observations

As noted in the Remuneration Policy, the PCRN Committee is responsible for reviewing and recommending Directors fees each year, aiming to ensure that Directors' fees are appropriate and suitably reflect current industry practice, the complexity of the Board's work programs, and the Trustee and Fund's performance.

Based on our review of the Committee and Board papers for the annual remuneration review for Directors for FY24 and FY25, including the relevant industry surveys undertaken, BUSSQ Director fees were below the industry average (generally within the 3rd or 4th quartile depending on the type of survey and industry peer group applied) while its annual increase for Director fees was consistent with the increase for BUSSQ employees.

Overall Conclusion

Based on the factors set out within Condition 6(d)(v), KPMG concludes that the in-scope CFMEU Director Fee Decisions were made for the sound and prudent management of BUSSQ's business operations.

4.4 Adequacy of BUSSQ's Policies and Procedures (Condition 6(e))

Reviewing the adequacy of the RSE Licensee's policies and procedures in relation to Expenditure Decisions and whether those policies and procedures meet the RSE Licensee's obligations under BFID.

4.4.1 BUSSQ Policies and Procedures

Consistent with Condition 6(e), KPMG has reviewed the current frameworks, policies and procedures used by BUSSQ to govern its expenditure decisions. These frameworks and policies include:

- Risk Management Strategy (November 2024 Version)
- Expense Management Framework (August 2023 Version)
- Expense Management & Finance Policy (July 2024 Version)
- Sponsorship and Partnership Policy (February 2025 Version)
- Remuneration Policy (February 2025 Version)
- Conflicts Management Policy (November 2024 Version)
- Board Delegation of Authority Policy and Register (February 2025 Version)

The current Expense Management Framework sets out the Fund's expense management practices that ensure that expenses incurred by the Fund are reasonable, contribute to achieving its strategic objectives, are in the best financial interests of members and support the sound and

prudent management of its business operations. The Framework also sets out high-level procedures for the annual budget process, Significant expense and Extraordinary expense management.

The Expense Management & Finance Policy details BUSSQ expense management processes including the processing of accounts payable related transactions, Corporate Card and personal expense reimbursement using specific systems. The Policy applies to all staff who participate in the purchase of goods or services on behalf of BUSSQ.

The Sponsorship and Partnership Policy provides the guidelines for assessing, managing, and monitoring sponsorship opportunities / expenditure decisions, including principles / criteria for sponsorship business cases to ensure that a sponsorship spend positively demonstrates the benefits to the beneficiaries.

In accordance with the Board Delegation of Authority Policy and Register:

- The Chair of the BUSSQ Board approves the budgeted expenditure above \$500,000 and the Board approves unbudgeted expenditure above \$50,001.
- The Chair or the CEO approves the budgeted expenditure of between \$100,001 to \$500,000 and unbudgeted expenditure of between \$5,001 and \$50,000.
- Any Executive Manager or the Company Secretary also has delegated authority to approve the expenditure which is either below \$100,000 for budgeted expenditure or \$5,000 for unbudgeted expenditure.

An assessment of the adequacy of the above frameworks and policies has been conducted having regard to compliance with the BFID provisions within the SIS Act, KPMG's BFID Decision-Making Framework and industry better practice.

The following section details our observations (in respect of areas of strengths and deficiencies), recommendations to address the deficiencies identified, as well as the areas for enhancements to reflect better practice approaches.

4.4.2 Observations

- The Board Delegation of Authority Policy and Register includes a detailed Delegation Register, to support the Trustee in fulfilling its BFID obligations. The Policy clearly states that all actions must only be undertaken, and expenditure must only be incurred, when it is considered that it would be in the demonstrable best financial interests of members. This appropriately sets the expectation of the Board in respect of expenditure and BFID.

- The current Conflicts Management Policy incorporates BFID requirements. The Policy requires that disclosures relating to conflicts must be a standing item on the Board and Board Committee meeting agendas and must be recorded in the minutes. Additionally for material conflicts, the Board and Board Committee's actions to manage the conflict must be recorded in the minutes and the Internal Potential Conflicts Register.

The Board and Board Committee agendas do have a standing agenda item on conflicts, and this is recorded in the minutes. However, detailed action plans for managing the conflicts of interest arising from the CFMEU and other similar arrangements, and relevant duties of the BUSSQ Directors who also hold senior positions at these sponsoring organisations, are not recorded in the Internal Potential Conflicts Register or other registers maintained by BUSSQ.

See Recommendation 7

- As outlined above, BUSSQ has established the EMF and Expense Management & Finance Policy (**EMP**) for expenditure management:
 - The EMF covers management of expenses including Significant expenses and Extraordinary expenses which require the Board's approval. The Framework does not provide further guidance on the other types of expenses incurred by BUSSQ and the respective approval process.
 - The EMP outlines the controls and procedures relating to the BUSSQ expense management processes including payments to external suppliers of the Fund and staff expense reimbursements. The Policy also does not define expenditure categories and its connection with the EMF.

Further clarity is required on the application of BFID to different categories of expenditure (including consideration of materiality), how BFID assessments are incorporated into the approval processes inside and outside of Budget and approval by Board and Management within the EMF and EMP. For example, clarity on when a BFID assessment is required for management approvals. Further alignment between these policies could be improved (for example, the alignment of the definitions and types of expenditure as well as the approval requirements and process for different types of expenditure).

See Recommendation 9

- The Remuneration Policy sets out principles for remuneration for Directors and non-Director Committee Attendees, and procedures in determining and reviewing Directors' remuneration, including consideration of current industry practice, complexity of the Board's work programs and the Board and Fund's performance, Director remuneration data provided specifically for the profit-for-member superannuation sector. The Remuneration Policy does not include references to best financial interests principles.

See Enhancement 6

- Board minutes related to the In-Scope Expenditure business cases (also Board papers) indicated conflicts were declared and management of conflicts was discussed before making expenditure decisions. There is an opportunity to enhance the associated Board minutes to include more detail in relation to the key points discussed including the core rationale for approving (or not approving) a decision in the best financial interests of members.

See Enhancement 8

4.4.3 Recommendations and Enhancements

In accordance with Condition 6(f), the following sets out the recommended steps to address any deficiencies identified, and the enhancements recommended for BUSSQ's consideration to reflect better practice approaches.

Recommendations

R.7	<p>Update relevant conflicts registers with detailed actions for management of conflicts arising from the CFMEU and other similar arrangements</p> <ul style="list-style-type: none"> Updating the relevant registers (e.g. Internal Potential Conflicts Register) to include detailed action plans for managing the conflicts arising from the CFMEU and other similar arrangements, and relevant duties of the BUSSQ Directors who also hold senior positions at these sponsoring organisations, including accountabilities for implementation, ongoing evaluation and oversight.
R.8	<p>Develop a BFID Framework with overarching guidelines for BFID considerations in expenditure decisions</p> <ul style="list-style-type: none"> Developing an overarching BFID Framework to provide guidance on: <ul style="list-style-type: none"> The consideration of BFID against different types of expenditure to assist in ensuring consistent analysis for various types of expenditure (e.g. strategic / capital expenditure or operational expenditure such as arrears collection expenditure etc.). The metrics to be used in assessing whether sponsorship and other expenditure would reasonably achieve its intended purpose and be consistent with BFID obligations. The record keeping / documentation of expenditure decision to ensure compliance with BFID obligations. The management of any conflicts specific to expenditure decisions. The incorporation of the above into a holistic and structured section on BFID assessment within BUSSQ's Business Case Templates. This will enable key business stakeholders to assess how each expenditure meets the criteria for BFID.
R.9	<p>Review and uplift the EMF and EMP for greater alignment</p> <ul style="list-style-type: none"> Review the EMF and EMP for greater alignment. Specifically: <ul style="list-style-type: none"> Reviewing the definitions and types of expenditure as well as the approval process for different types of expenditure to ensure consistency and greater clarity between the EMF and EMP. Updating the EMF to provide further guidance on BFID assessment criteria for developing expenditure business cases and maintaining records of expenditure decisions to demonstrate compliance with BFID obligations (consistent with the development of the BFID Framework). Defining when management approvals of expenditure require a BFID assessment (consistent with development of BFID Framework). <p>The EMF and EMP should also be consistent with the new BFID Framework.</p>

Recommendations

R.10 Include Conflicts and BFID considerations in Board and Board Committee Paper Templates

- Including sections for conflicts and best financial interests considerations in Board and Board Committee paper templates with accompanying guidance notes to assist BUSSQ management and staff in preparing Board papers to ensure consistency and compliance with BFID obligations. This should also require business cases to be accompanied by a covering Board paper.

Enhancements

E.6 Include the BFID principles in the Remuneration Policy and how they apply in the Director remuneration context

- Including the best financial interests principles in the Remuneration Policy (e.g. the trustee must perform its duties and exercise its powers in the best financial interests of the beneficiaries) and how they apply in the Director remuneration context.

E.7 Enhance the EMF and EMP to address the requirement under the new SPS 515 / SPG 515 (effective 1 July 2025)

- Enhancing the EMF and EMP and other associated policies and procedures related to expenditure management, as part of BUSSQ's consideration of updating relevant frameworks and policies to address the requirements under the new SPS 515 / SPG 515 (effective 1 July 2025), including APRA expectation on robust governance and oversight of fund expenditure through an expenditure management framework which includes ⁵⁹:
 - a defined risk assessment process for decisions;
 - policies and processes for the approval and monitoring of spending;
 - Board oversight;
 - alignment to strategic objectives, improved outcomes for members, and operational needs in line with the best financial interests of beneficiaries; and
 - active monitoring, management and review.

E.8 Record more detail in Board Minutes focusing on the core rationale for the Board's decision

- Recording more detail in the Board or Board Committee minutes (across all expenditure types), relating to:
 - The key actions to manage any conflicts;
 - The key points discussed with management; and
 - The core rationale for approving (or not approving) that a decision is in the best financial interests of members.

⁵⁹ SPG 515 para 25.

Appendices

Appendices



Appendix 1 – Detailed Scope and Approach

KPMG was engaged by BUSSQ to undertake an Independent Review of BUSSQ’s fit and proper processes and BFID processes in accordance with the conditions imposed by APRA on BUSSQ’s RSE Licence effective 12 March 2025 (**Conditions**). As part of the engagement, and consistent with Condition 5, BUSSQ and KPMG agreed a **Review Scope of Work** (which was then provided to APRA). The Review Scope of Work is detailed in the Table below.

Scope Areas	Approach
<p>Condition 6(a)</p> <p>Reviewing all of the processes undertaken by the RSE Licensee in assessing whether all of the directors and officers of the RSE Licensee are fit and proper in compliance with F&P.</p>	<p>Review Approach</p> <ul style="list-style-type: none"> Undertake a documentation review of current fit and proper policies, procedures and processes (from 1 July 2021*) to understand the policies, procedures and processes, and the application of those policies, procedures and processes to the assessment of all of BUSSQ’s Current Directors and Officers. Undertake interviews with all of BUSSQ’s Current Directors and Officers to: <ul style="list-style-type: none"> gain insight to the application of F&P by BUSSQ, including the practical workings of BUSSQ’s fit and proper processes and any recent modifications to those processes; and understand and review the processes followed for the latest fit and proper assessment in respect of each of BUSSQ’s Current Directors and Officers. <p><i>* Note: The rationale for adopting a review period of 1 July 2021 to current is that this is the effective date of the BUSSQ policies and procedures which underpinned the fit and proper assessments undertaken in respect of BUSSQ’s Current Directors and Officers when they were appointed to their current position (i.e. the first fit and proper assessment undertaken).</i></p>
<p>Condition 6(b)</p> <p>Reviewing the adequacy of the RSE Licensee’s policies and procedures in relation to F&P.</p>	<p>Review Approach</p> <ul style="list-style-type: none"> Having regard to the above documentation review, and interviews, evaluate the adequacy of current BUSSQ’s fit and proper policies and procedures, noting their alignment with the wider governance and risk management framework of BUSSQ, and including review of the documentation of considerations and decisions made by BUSSQ in relation to fit and proper.

Scope Areas	Approach
	<p>Assessment Approach</p> <ul style="list-style-type: none"> Compliance with Prudential Standard SPS 520 Fit and Proper. Identification of any enhancements to reflect best practice approaches.
<p>Condition 6(c)</p> <p>Whether, in the opinion of KPMG, the current directors and officers of the RSE Licensee:</p> <ol style="list-style-type: none"> were fit and proper at the time they were last assessed by the RSE Licensee; and remain fit and proper in compliance with F&P as at the date of the Review. 	<p>Review Approach</p> <ul style="list-style-type: none"> Undertake a review and analysis of the last BUSSQ fit and proper assessment for Current Directors and Officers for compliance with F&P, for the purposes of assessing whether in the opinion of KPMG, the Current Directors and Officers were (as at the date of that assessment) fit and proper. Undertake a review and analysis of Current Directors and Officers, based on BUSSQ's existing fit and proper assessment approach, supplemented by additional KPMG research and analysis (if necessary), for the purpose of assessing, whether in the opinion of KPMG, the Current Directors and Officers remain fit and proper as at the date of the Review. The above review and analysis will be supplemented by the interviews identified in the approach for Condition 6(a), and may be supplemented by other information gathering approaches (including research of publicly available material). <p>Assessment Approach</p> <ul style="list-style-type: none"> Compliance with Prudential Standard SPS 520 Fit and Proper Assessment against BUSSQ's Policies & Procedures (June 2023) In the event of any identified deficiencies in BUSSQ's Fit & Proper Policies & Procedures, KPMG will assess fit and proper against BUSSQ's Fit & Proper Policies & Procedures with the addition of enhanced requirements considered by KPMG to be appropriate.
<p>Condition 6(d)</p> <p>Reviewing all Expenditure Decisions of the RSE Licensee connected with the CFMEU that were in effect or being made as at 1 June 2024, by reference to BFID, including in relation to:</p> <ol style="list-style-type: none"> the processes undertaken by the RSE Licensee in relation to the making of Expenditure Decisions; the identified purpose of the Expenditure Decisions, including how the expenditure 	<p>Scope Identification</p> <p>Identify In-Scope Expenditure decisions consistent with Condition 6(d) (Expenditure Decisions).</p> <p>Note: the scope for the expenditure review includes director fees related to the CFMEU.</p> <p>Review Approach</p> <ul style="list-style-type: none"> In respect of the Expenditure Decisions, undertake a documentation review of:

Scope Areas	Approach
<p>would contribute to the RSE Licensee meeting its strategic objectives;</p> <p>iii. what metrics, measures or alternatives (if any) were used to assess whether the expenditure would reasonably achieve its intended purpose and was consistent with BFID;</p> <p>iv. what oversight arrangements were implemented by the RSE Licensee to monitor implementation of Expenditure Decisions;</p> <p>v. whether the Expenditure Decisions were made for sound and prudent management of the RSE Licensee's business operations, including by whether the:</p> <p>(A) stated benefit of any arrangement or contract was obtained by the RSE Licensee;</p> <p>(B) expenditure achieved its intended purpose;</p> <p>(C) goods or services (as the case may be) to be delivered under any arrangement or contract were obtained by the RSE Licensee;</p> <p>(D) expenditure provided fair value for beneficiaries of the Building Unions Superannuation Scheme (Queensland) ABN 85 571 332 201 and the BUSS (Queensland) Pooled Superannuation Trust ABN 39 219 239 244; and</p> <p>(E) stated metrics, if any, that were set during the RSE Licensee's BFID assessment were met.</p>	<ul style="list-style-type: none"> ○ relevant policies and procedures, material from relevant management executive committee meetings, Board meetings, Board Committee meetings, Business Plans, inclusive of relevant file notes or minutes related to internal and external communications, to analyse: <ul style="list-style-type: none"> – the processes undertaken in making the Expenditure Decisions; and – the purpose of the Expenditure Decisions and how this would contribute to BUSSQ's strategic objectives ○ the above materials, focusing specifically on data outputs, metrics and quantified analysis that outlines the anticipated member outcomes from each Expenditure Decision. This will include consideration of member outcomes at the overall membership level and may include consideration of specific BUSSQ identified cohort levels, (where relevant). ○ the above materials, focusing on the oversight arrangements and measures undertaken by BUSSQ to monitor implementation following the expenditure decision. <ul style="list-style-type: none"> • Supplement the above documentation reviews and analysis with interviews of relevant Current Directors and Officers to gain a deeper understanding of the processes and decisions (if required). • Having regard to the documentation review and interviews of stakeholders outlined above (in respect of Condition 6(d)), undertake an assessment of whether each Expenditure Decision was conducted for the sound and prudent management of BUSSQ's business operations, whether it achieved its intended purpose and stated benefits, the benefit of the expenditure was realised and provided fair value for the beneficiaries of the fund and whether quantified analysis that outlines the anticipated member outcomes resulting from the expenditure were met.

Assessment Approach

- Compliance with BFID provisions within SIS legislation

Scope Areas	Approach
	<ul style="list-style-type: none"> Consideration of KPMG’s BFID Decision-Making Framework (taking into account relevant BUSSQ policies and procedures) <p>*Note: The relevant time period for the documentation review is the earlier of 1 July 2023 or the effective date of the policies and procedures underlying the Expenditure Decisions.</p>
<p>Condition 6(e)</p> <p>Reviewing the adequacy of the RSE Licensee's policies and procedures in relation to Expenditure Decisions and whether those policies and procedures meet the RSE Licensee's obligations under BFID.</p>	<p>Review Approach</p> <ul style="list-style-type: none"> In respect of current BUSSQ policies and procedures in relation to Expenditure Decisions: <ul style="list-style-type: none"> having regard to the documentation review undertaken in respect of Condition 6(d); and undertaking any further interviews with relevant BUSSQ Current Directors and Officers (if required), regarding the practical application of the relevant policies and procedures Consider the adequacy of the current BUSSQ policies and procedures in relation to BFID requirements and obligations in making Expenditure Decisions. <p>Assessment Approach</p> <ul style="list-style-type: none"> Compliance with BFID provisions within SIS legislation Consideration of KPMG’s BFID Decision-Making Framework (taking into account relevant BUSSQ policies and procedures) Identification of any enhancements to reflect best practice approaches
<p>Condition 6(f)</p> <p>The steps KPMG recommends the RSE Licensee take to rectify any deficiencies they identify with respect to the matters referred to in Conditions 6(a) through 6(e).</p> <p>(Independent Recommendations).</p>	<p>Approach</p> <ul style="list-style-type: none"> Outline areas of uplift identified from the above reviews of BUSSQ’s fit and proper and BFID processes, and outline / recommend the steps to be taken.
<p>Summary of the above in a Review Report (which will be provided to APRA and published by BUSSQ on its website (subject to any redactions approved by APRA under Condition 9A of the Licence Conditions)).</p>	<p>Deliverable</p> <ul style="list-style-type: none"> Deliver a Review Report that describes the outcomes of the Review outlined above and outlines recommendations that arise from this Review.

Appendix 2 – BUSSQ Directors and Officers

Listed below are the BUSSQ Current Directors and Officers, together with their appointment date, and date of last Fit and Proper Assessment.

Each Director and Officer was interviewed for the purpose of this Review.

Name	Director / Officer	Role / Position	Date Appointed	Date Last Fit and Proper Assessment Undertaken By BUSSQ
Chris Taylor	Director	Chair, Trustee Board Director	02/02/2022	30/08/2024
Ben Young	Director	Trustee Board Director	26/04/2022	30/08/2024
Emma Eaves	Director	Trustee Board Director	14/12/2022	30/08/2024
Geoff Baguley	Director	Trustee Board Director	02/02/2022	30/08/2024
Hemal Patel	Director	Trustee Board Director	12/09/2024	18/09/2024
Linda Vickers	Director	Trustee Board Director	26/04/2022	30/08/2024
Paul Hick	Director	Trustee Board Director	02/02/2022	30/08/2024
Paul Dunbar	Director	Trustee Board Director	12/09/2024	25/09/2024
Damian Wills	Officer	CEO	01/01/2021	30/08/2024
Christian Engelhardt	Officer	Company Secretary	22/06/2022	30/08/2024
Peter Laity	Officer	CIO	25/07/2022	30/08/2024
Matthew Forrest	Officer	Executive Manager – Fund Operations	01/08/2022	30/08/2024
Leigh Mackay	Officer	Executive Manager – Member Engagement	22/08/2022	30/08/2024
Lisa Cumberland	Officer	Executive Manager – Governance, Risk and Compliance	03/02/2023	30/08/2024
Carolyn Bartsch	Officer	Executive Manager – Marketing, Brand and Communications	23/10/2023	30/08/2024
Kwee Guan (Sean) Mok	Officer	Executive Manager – IT and Information Security	01/02/2025	20/03/2025

Appendix 3 – In-Scope Expenditure Decisions

The In-Scope Expenditure Decisions are summarised below:

Expenditure Decision	Effective Period	Expenditure Spend / Cost
Expenditure 1 – Arrears Collection Business Case (limited to the CFMEU arrears collection for the purpose of this Review)	1 July 2023 – 30 June 2024	\$313,000 (including a total project cost of \$200,000 for the CFMEU and staff remuneration of \$113,000)
Expenditure 2 – CFMEU Sponsorship Business Case	1 July 2023 – 30 June 2024	\$150,000
Expenditure 3 – Arrears Collection Business Case (limited to the CFMEU arrears collection for the purpose of this Review)	1 July 2024 – 30 June 2025	\$338,000 (including a total project cost of \$210,000 for the CFMEU and staff remuneration of \$118,000)
Expenditure 4 – CFMEU Sponsorship Business Case	1 July 2024 – 30 June 2025	\$165,000
Expenditure 5 – Annual remuneration review – Directors and Committee Attendees (limited to CFMEU Directors for the purpose of this Review)	1 July 2023 – 30 June 2024	Remuneration increased by 4% on 1 July for Directors and Committee Attendees
Expenditure 6 – Annual remuneration review – Directors and Committee Attendees (limited to CFMEU Directors for the purpose of this Review)	1 July 2024 – 30 June 2025	<ul style="list-style-type: none"> ▲ Fee increased by 4.5% p.a. • Employer superannuation contributions continue to be paid at the SG rate

Appendix 4 – Fit and Proper Assessment Criteria and Outcomes

The Fit and Proper Assessment of the current Directors and Officers was undertaken by KPMG against the criteria developed based on BUSSQ's existing fit and proper assessment approach, and supplemented by additional KPMG research and analysis. The assessment criteria are outlined below:

	Assessment Criteria	Completion Date
Fitness and Propriety Assessment	Fit and Proper Declaration KPMG request and review the Fit and Proper Declaration completed by each RP which incorporates the content from the initial / annual Fit and Proper Declaration and referee declaration templates as required under the current BUSSQ Fit and Proper Policies and Procedures	3 June 2025
Fitness Assessment	Competency Self-Assessment KPMG request and review the Competency Self-Assessment (as required under the current Fit and Proper Policies and Procedures) completed by each RP	12 May 2025
Propriety Assessment	Insolvency check / Bankruptcy Register Search KPMG conduct insolvency check / Bankruptcy Register Search for each RP (https://www.afsa.gov.au/online-services-help/bankruptcy-register-search)	29 May 2025
Fitness and Propriety Assessment	Disqualification Registers Check KPMG conduct the following disqualification registers checks: <ul style="list-style-type: none"> – ASIC Banned and Disqualified Person Register – APRA's Disqualification Register – ATO Disqualified Trustee Register 	14 May 2025
Fitness Assessment	Qualifications and Experience check KPMG review and verify the qualifications and experience as disclosed on BUSSQ's website ('Directors and other RP Qualifications and Experience - at 22 April 2025') and in each RP's CV (provided by BUSSQ)	29 May 2025
Fitness Assessment	KPMG review the current Register of Relevant Interests and Duties for Directors and Other Responsible Persons (as at 22 April 2025) and the latest Statement of Interests and Duties from each RP for verification and identify potential conflicts of interest	21 May 2025
Propriety Assessment	KPMG review the most recent Australian Federal Police Checks conducted by BUSSQ	29 May 2025
Fitness and Propriety Assessment	KPMG conduct interviews with each RP	23 May 2025
Fitness and Propriety Assessment	KPMG conduct additional investigations such as searching media articles and other publicly available information for individual RPs	29 May 2025

The outcomes of the Fit and Proper Assessment are summarized below:

Assessment Criteria	Chris Taylor	Ben Young	Emma Eaves	Geoff Baguley	Hemal Patel	Linda Vickers	Paul Hick	Paul Dunbar
F&P Declaration	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Competency Self Assessment	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Insolvency Check	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
ASIC Banned and Disqualified Person Register Check	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
APRA's Disqualification Register Check	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
ATO Disqualified Trustee Register Check	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Qualifications validation	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Experience validation	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Register of Relevant Interest & Duties Check	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Media / publicly available information check	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
AFP check	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Interviews	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass

Assessment Criteria	Damian Wills	Christian Engelhardt	Peter Laity	Matthew Forrest	Leigh Mackay	Carolyn Bartsch	Kwee Guan Mok
F&P Declaration	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Competency Self Assessment	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Insolvency Check	Pass	Pass	Pass	Pass	Pass	Pass	Pass
ASIC Banned and Disqualified Person Register Check	Pass	Pass	Pass	Pass	Pass	Pass	Pass
APRA's Disqualification Register Check	Pass	Pass	Pass	Pass	Pass	Pass	Pass

Assessment Criteria	Damian Wills	Christian Engelhardt	Peter Laity	Matthew Forrest	Leigh Mackay	Carolyn Bartsch	Kwee Guan Mok
ATO Disqualified Trustee Register Check	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Qualifications validation	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Experience validation	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Register of Relevant Interest & Duties Check	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Media / publicly available information check	Pass	Pass	Pass	Pass	Pass	Pass	Pass
AFP check	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Interviews	Pass	Pass	Pass	Pass	Pass	Pass	Pass

Appendix 5 – KPMG BFID Decision-Making Framework and Outcomes

The expenditure assessment leverages KPMG BFID Decision-Making Framework which has been developed having regard to BFID provisions within SIS Act and SPS 515. The key components of this framework are outlined below, along with a summary of the outcomes from the assessment of the In-Scope Expenditure Decisions.

Steps	Criteria	Outcome
Identify	<ul style="list-style-type: none"> Identify the proposal and decision to be made. Identify if there are any conflicts of interest / duty and if those conflicts can be avoided or managed. 	<p>R.2 – Enhance documentation of the identification and management of conflicts in relation to business cases relating to expenditure decisions.</p> <p>R.3 – Enhance the assessment of conflicts and the controls necessary for the management of conflicts in relation to expenditure decisions (for arrangements with the CFMEU).</p> <p>R.7 - Update relevant conflicts registers with detailed actions for management of conflicts arising from the CFMEU and other similar arrangements.</p>
Consult & Consider	<ul style="list-style-type: none"> Consider link to business plan and expected member outcomes. Consult relevant stakeholders internally and consider if external support is required (e.g. legal / consulting / benchmarking). Consider relevant frameworks, policies and procedures 	<p>R.3 – Enhance the assessment of conflicts and the controls necessary for the management of conflicts in relation to expenditure decisions (for arrangements with the CFMEU).</p> <p>R.8 - Develop a BFID Framework with overarching guidelines for BFID considerations in expenditure decisions.</p> <p>E.7 - Enhance the EMF and EMP to address the requirement under the new SPS 515 / SPG 515 (effective 1 July 2025).</p> <p>R.9 - Review and uplift the EMF and EMP for greater alignment.</p>
Gather	<ul style="list-style-type: none"> Gather relevant data, evidence and insights (including external advice / evidence) having regard to the type of decision to be made (and any internal policies). Ensure evidence relating to managing any conflicts of interests is also collected. 	<p>R.2 – Enhance documentation of the identification and management of conflicts in relation to business cases relating to expenditure decisions.</p> <p>R.8 - Develop a BFID Framework with overarching guidelines for BFID considerations in expenditure decisions.</p> <p>R.4 - Enhance the BFID analysis within the CFMEU Sponsorship Business Cases.</p>

Steps	Criteria	Outcome
		E.6 - Include the BFID principles in the Remuneration Policy and how they apply in the Director remuneration context.
Assess	<ul style="list-style-type: none"> Assess the expected member impact of the proposal in terms of members' financial interests (assessing against cohorts were relevant) May need to weigh the expected financial benefits and detriments for members (and different cohorts of members). 	<p>R.8 - Develop a BFID Framework with overarching guidelines for BFID considerations in expenditure decisions.</p> <p>R.4 - Enhance the BFID analysis within the CFMEU Sponsorship Business Cases.</p> <p>Noting cohorts analysis may not be relevant as the In-Scope Expenditure Decisions (except for director remuneration) are directly linked to BUSSQ's strategic objectives (sustainability and growth), to deliver financial benefits (e.g. fee revenues generated from sponsorship arrangements) to the Fund's membership collectively.</p>
Decide	<ul style="list-style-type: none"> Trustee Board (or potentially management under delegation) to form a view as to whether or not the proposal is in the best financial interests of the members having regard to the financial metrics and expected impacts on members (both positive and negative impacts). Consider any other applicable duties. 	<p>R.6 - Update the annual remuneration review papers for Board and the PCRN Committee to include references to the best financial interests obligations.</p> <p>R.8 – Develop a BFID Framework with overarching guidelines for BFID considerations in expenditure decisions.</p> <p>R.10 - Include Conflicts and BFID considerations in Board and Board Committee Paper Templates.</p>
Document	<ul style="list-style-type: none"> Identification and assessment of any conflicts in the relevant Board / Committee / Manager paper. Assessment of the best financial interests in the relevant Board / Committee / Management paper (in addition to any other relevant duties). Best financial interests decision to be recorded in the relevant minutes (Board / Committee / Management forum). 	<p>R.6 - Update the annual remuneration review papers for Board and the PCRN Committee to include references to the best financial interests obligations.</p> <p>R.10 - Include Conflicts and BFID considerations in Board and Board Committee Paper Templates.</p> <p>E.8 - Record more detail in Board Minutes focusing on the core rationale for Board's decision on expenditure decisions, and how any conflicts were managed.</p>
Implement	<ul style="list-style-type: none"> Implement decision. Ensure any limitations or exclusions, or qualifications on the decision are communicated and complied with. 	Not applicable for the agreed scope.

Steps	Criteria	Outcome
Review	<ul style="list-style-type: none"> Review of decision to determine if the intended outcomes were achieved. Link into member outcomes assessment. 	<p>R.5 – Enhance reporting on arrears collection arrangements to the relevant Board Committee for greater oversight.</p> <p>E.7 - Enhance the EMF and EMP to address the requirement under the new SPS 515 / SPG 515 (effective 1 July 2025).</p> <p>R.8 – Develop a BFID Framework with overarching guidelines for BFID considerations in expenditure decisions.</p>

Appendix 6 – Document Register

The following BUSSQ policies, procedures, frameworks and documentation were reviewed as part of the Independent Review:

Fit and Proper

Fit and Proper Policies and Procedures - Version 16 (June 2023)
Fit and Proper Policies and Procedures - Version 16.1 (November 2024)
Fit and Proper Policies and Procedures - Version 16.2 (February 2025)
Governance Framework including Fit and Proper - Version 13 (December 2020)
Governance Framework including Fit and Proper - Version 14.1 (April 2020)
Governance Framework including Fit and Proper - Version 15 (August 2020)
Governance Framework Policy - Version 16 (June 2023)
Governance Framework Policy - Version 17 (June 2024)
Governance Framework Policy - Version 17.1 (November 2024)
Board Appointment and Renewal Policy - Version 13 (April 2022)
Board Appointment, Removal and Renewal Policy - Version 14 (June 2023)
Board Appointment, Removal and Renewal Policy - Version 14.1 (November 2023)
Board Appointment, Removal and Renewal Policy - Version 14.2 (August 2024)
Board Appointment, Removal and Renewal Policy - Version 14.2 (August 2024)
Board Appointment, Removal and Renewal Policy - Version 14.3 (September 2024)
Trustee Competencies Self-Assessment - Version 14.4 (December 2024) - As within Fit and Proper Policies and Procedures Version 16 (June 2023)
Trustee Competencies Self-Assessment - Version 14.4 (December 2024) - As within Fit and Proper Policies and Procedures Version 16.1 (November 2024)
Trustee Competencies Self-Assessment - Version 14.4 (December 2024) - As within Fit and Proper Policies and Procedures Version 16.2 (February 2025)

Expenditure Decisions

Frameworks, Policies

Board Delegation of Authority Policy and Register

- Version 10 (December 2022)
- Version 10.1 (June 2023)
- Version 10.2 (August 2023)
- Version 11 (November 2023)

Expenditure Decisions

- Version 11.1 (November 2023)
- Version 11.2 (February 2024)
- Version 11.3 (June 2024)
- Version 12 (August 2024)
- Version 12.1 (November 2024)
- Version 12.2 (February 2025)

Business Performance Review and Legislated Outcomes Assessment Policy - Version 9 (February 2023)

Business Performance Review and Legislated Outcomes Policy - Version 10 (February 2024)

Business Performance Review and Legislated Outcomes Policy - Version 10.1 (November 2024)

BUSSQ Business Plan Financial Years 2024 to 2026 - Version dated 19 April 2023

Conflicts Management Policy

- Version 14.2 (December 2022)
- Version 15 (May 2024)
- Version 15.1 (August 2024)
- Version 15.2 (November 2024)

Expense Management Framework

- Version 4 (April 2021)
- Version 6 (August 2023)

Expense Management & Finance Policy

- Version 3 (April 2021)
- Version 5 (June 2023)
- Version 6 (July 2024)

Remuneration Policy

- Version 14 (June 2022)
- Version 14.1 (August 2023)
- Version 15 (June 2024)
- Version 15.1 (November 2024)
- Version 15.2 (February 2025)

Risk Management Strategy

- Version 11.4 (November 2023)
- Version 12 (September 2024)
- Version 12.1 (September 2024)
- Version 12.2 (November 2024)

Sponsorship & Partnership Policy

Expenditure Decisions

<ul style="list-style-type: none"> Version 3 (July 2022) Version 4 (July 2024) Version 5 (February 2025)
2023 2024 CFMEU Sponsorship Agreement (signed).pdf (June 2023)
2023 2024 CFMEU Sponsorship Business Case.pdf (June 2023)
2023 06 21 Board Minutes - meeting #206 - 21 Jun 2023 signed_Redacted.pdf (June 2023)
2023 06 21 8.6.1 Member Engagement Report - Sponsorship Outcomes Assessment.pdf (June 2023)
2023 06 21 8.6 Member Engagement, including Financial Advice, Report.pdf (June 2023)
2023 08 30 8.4 Operational, Member Engagement & Marketing Report_Redacted.pdf (August 2023)
2023 08 30 9.4.7 Sponsorship Outcomes Assessment Summary - 2023-24_Redacted.pdf (August 2023)
2023 11 29 9.4 Operational, Member Engagement & Marketing Report_Redacted.pdf (November 2023)
2024 02 21 9.4 Operational, Member Engagement and Marketing Report_Redacted.pdf (February 2024)
2024 2025 CFMEU Sponsorship Business Case Risk Assessment.pdf (April 2024)
2024 2025 CFMEU Sponsorship Business Case.pdf (April 2024)
2024 05 08 9.4 Operational, Member Engagement and Marketing Report_Redacted 1.0.pdf (May 2024P)
2024 05 08 Board Minutes - meeting #213 - 8 May 2024_Redacted.pdf (May 2024)
2023 2024 CFMEU Sponsorship Agreement Q1-Q4 Tracker.pdf (June 2024)
2024 2025 CFMEU Sponsorship Agreement (executed).pdf (June 2024)
2024 2025 CFMEU Sponsorship Agreement Beneficiaries Report.pdf (June 2024)
2024 06 26 9.4 Operational, Member Engagement and Marketing Report_Redacted.pdf (June 2024)
2024 08 28 9.4 Operational, Member Engagement and Marketing Report_Redacted.pdf (August 2024)
2024 08 28 9.4.7 Sponsorship Outcomes Assessment Summary - 2023-24_Redacted.pdf (August 2024)
2024 11 27 9.4 Operational, Member Engagement and Marketing Report_Redacted.pdf (November 2024)
2024 2025 CFMEU Sponsorship Agreement Tracker Q1-Q3.pdf (January 2025)
2025 02 12 9.4 Operational, Member Engagement and Marketing Report_Redacted.pdf (February 2025)
2025 04 16 9.4.5 Member Engagement Report_Redacted.pdf (April 2025)
Business Case - Arrears Collection Services FY2022-2023.pdf (June 2023)
2023 2024 CFMEU Arrears Collection Agreement (signed).pdf (June 2023)
2023 2024 CFMEU Arrears Collection Business Case.pdf (June 2023)
2023 06 21 Board Minutes - meeting #206 - 21 Jun 2023 signed_Redacted.pdf (June 2023)
2024 2025 CFMEU Compliance Agreement (executed).pdf (June 2023)
2024 2025 CFMEU Compliance Business Case.pdf (June 2023)

Expenditure Decisions

2024 06 26 Board Minutes - meeting #214 - 26 June 2024_Redacted.pdf (June 2023)
2024 02 21 Member Outcomes Assessment FY 2023.pdf (February 2024)
2024 11 24 Member Outcomes Assessment FY24.pdf (November 2024)
2025 05 21 Email.pdf (May 2025)
BUSSQ BFID – Director fees (June 2023 PCRNC and Board Papers and Minutes).msg (June 2023)
2023.06.07 PCRNC Paper - 6.1 Directors and Com. Attendees rem review.pdf (June 2023)
2023.06.07 PCRNC Paper - 6.1.1 Directors and Com. Attendees rem. review - McGuirk FEAL survey.pdf (June 2023)
2023.06.07 PCRNC Minutes - meeting #36 (Extract).pdf (June 2023)
2023 FEAL Superannuation Board Remuneration Survey.pdf (June 2023)
2023.06.21 Board Paper - 6.6 Directors, Com. attendees, CEO and Co Sec rem. review.pdf (June 2023)
2023.06.21 Board Paper - 6.6.1 Directors, Com. attendees, CEO and Co Sec rem. review - McGuirk - FEAL survey.pdf (June 2023)
2023.06.21 Board Minutes - meeting #206 (Extract and Redacted) - 4 pages.pdf (June 2023)
2023.06.21 Board Minutes - meeting #206 (Extract) - page 1.pdf (June 2023)
2024.05.29 PCRNC Paper - 6.2 Director and Committee Attendee rem review.pdf (May 2024)
2024.05.29 PCRNC Minutes - meeting #40 (Extract, Redacted).pdf (May 2024)
2024.06.26 Board Paper - 7.4.2 Annual rem review - Directors & Com Attendee Mbrs.pdf (June 2023)
2024.06.26 Board Paper - 7.4.2.1 2023 FEAL Super Board Rem Survey.pdf (June 2023)
2024.06.26 Board Minutes - meeting #214 (Extract, Redacted).pdf (June 2023)
Deloitte - Rem and Cost Benchmarking - May 2025.pdf (May 2025)

Appendix 7 – Consolidated Recommendations and Enhancements

Fit and Proper

Recommendations

- R.1 Implement a more formal process to document a record of the completion of the Fit and Proper Assessment for Executive Responsible Persons**
- The fit and proper process for Executive Responsible Persons is conducted in conjunction with the recruitment process. The CEO is responsible for conducting the final Fit and Proper Assessment. There is currently no final record of the CEO's final assessment decision.
 - For completeness, we recommend a process be implemented to document the final approval of Fit and Proper Assessment for Executive Responsible Persons and that this final approval be communicated to the PCRN Committee for noting.

Enhancements

- E.1 Consider enhancing the Competency Self-Assessment rating guidance to be more specific**
- BUSSQ has recently enhanced the Competency Self-Assessment Matrix by increasing the rating scale from a 3-point scale to a 4-point scale. We recommend that BUSSQ consider including in the rating guidance more detailed specific and objective criteria, to promote further objectivity and consistency during the rating.
 - There is an opportunity to enhance the current processes by formalising the informal assistance and guidance that the Company Secretary provides to Responsible Persons during the Competency Self-Assessment process. This could take the form of accompanying guidance.
 - Together these enhancements reduce key person risk and reliance on the Company Secretary, and may also assist the peer review process.
- E.2 Consider documenting additional assessments informally included as part of the Fit and Proper Assessment approach**
- SPG 520 suggests that Fit and Proper Assessments would ordinarily include determining whether the person “has demonstrated the appropriate competence and integrity in fulfilling occupational, managerial or professional responsibilities previously and/or in the conduct of their current duties”.⁶⁰ It also suggests that initial assessments should include “evidence of material qualifications”.⁶¹
 - While BUSSQ checks each of these components informally, there is currently no requirement within the Fit and Proper Policy to:
 - Include professional references for appointees/applicants as part of the Fit and Proper Assessment process (noting that they are likely obtained as part of the recruitment process); or

⁶⁰ SPG 520 para 15(ii).

⁶¹ SPG 510 para 32.

Enhancements

- Obtain evidence of material qualifications (for both Directors and other Responsible Persons).
- We recommend that BUSSQ enhance its documentation of these informal processes to include these components in the formal fit and proper process (or otherwise provide a rationale as to why evidence was deemed not to be required).
- We also note that BUSSQ's current processes do require character references to be obtained.

E.3 Consider including compulsory minimum training requirements for Directors

- The current training requirements for all Responsible Persons include a minimum of 40 hours training over a two-year period, with SIS Act and Trust Law training to be completed in the first six months of appointment and investment knowledge training to be completed in the first twelve months of appointment.
- Directors also undertake training through onboarding (on initial appointment), and through their individual training plans.⁶²
- There is an opportunity to enhance the Fit and Proper Policy by specifying a minimum compulsory training requirement for Directors that must be completed within the first 12 months of appointment, such as the AICD Directors course or equivalent (unless it has already been completed).
- This approach complements the expectation set out in the Fit and Proper Policy for Directors to have demonstrated an understanding of the Superannuation Knowledge Requirements within the first 12 months of appointment.⁶³ We also understand through interviews that this approach is encouraged by the Chair and CEO, but believe there is benefit in formalising a minimum compulsory requirement.

E.4 Consider incorporating FAR accountability statements as part of the Fit and Proper Process

- For Executive RPs the fit and proper process relies on the position description as the criteria against which fitness competencies are assessed. With the recent commencement of the Financial Accountability Regime (FAR) we recommend that BUSSQ consider integrating FAR accountability statements as part of fit and proper process (so that Executive RPs are assessed against a combination of the Position Description and the related accountability statement).

E.5 Provide more detail in Board minutes regarding the consideration of recommendations provided by PCRN Committee over Director Fit and Proper Assessments

- We recommend that BUSSQ considers reviewing the detail in Board minutes to ensure that there is a sufficient record of Board consideration, rationale and decision of the fit and proper recommendations presented to the Board by the PCRN Committee for the potential Director.

⁶² BAR&R Policy s 5.1(9).

⁶³ Fit and Proper Policy s 5.2 (see above under "Training Plans").

Expenditure

Recommendations	
R.2	<p>Enhance documentation of the identification and management of conflicts in relation to business cases relating to expenditure decisions</p> <ul style="list-style-type: none"> Document the assessment and management of conflicts for expenditure decisions in accordance with the requirements under the CMP. This can be achieved by including a section on conflicts considerations in the business case templates, as well as (where necessary) the development of a conflicts management protocol (see R.3 below). We note that the current 2025 BUSSQ business plan template includes a conflicts section.
R.3	<p>Enhance the assessment of conflicts and the controls necessary for the management of conflicts in relation to expenditure decisions (for arrangements with the CFMEU)</p> <ul style="list-style-type: none"> Develop a conflicts management protocol (or plan) that addresses proposed expenditure decisions or proposals for arrangements with the CFMEU that: <ul style="list-style-type: none"> Identifies each instance of conflict arising (both director level and entity level conflicts); Assesses and explains the nature of each conflict; Sets out the specific disclosures / controls / documentation required having regard to the nature and extent of the conflict (including the roles and responsibilities of management in respect of the protocol); and Considers how the conflicts are managed during the ongoing monitoring of the arrangement. In developing the protocol consider: <ul style="list-style-type: none"> The requirements of the BUSSQ Constitution and the role of CFMEU nominated Directors in participating and making decisions, particularly for arrangements where they may have an interest by virtue of their role within the CFMEU; A potential situation where the Board is unable to form a quorum because certain Directors are unable to participate in decision-making (for that agenda item), the means by which the conflict can be managed; The controls and information barriers that need to be in place; Better practice conflict management approaches adopted in the industry; The degree of external evidence required to demonstrate that a related party agreement is negotiated and formed as if it is on an arm's length basis; and Roles and responsibilities in respect of the protocol. Note that consideration of the level and nature of controls required will in turn depend on the nature, frequency and depth of the conflict.
R.4	<p>Enhance the BFID analysis within the CFMEU Sponsorship Business Cases</p> <ul style="list-style-type: none"> Develop additional metrics around how the CFMEU Sponsorship Expenditure enhances member outcomes including consideration of further analysis of: <ul style="list-style-type: none"> The net benefits to members (i.e. fee revenue less cost to serve members); Delineating members acquired and members retained (and the net benefit for the two groups); and Linking the financial benefits from net fee revenue to member fee projections.

Recommendations

	<ul style="list-style-type: none"> • Include analysis in the business cases to demonstrate that the material terms and conditions (e.g. liabilities, ability to terminate) of the agreements with the relevant parties have been adequately examined to consider any impact on the best financial interests analysis. • Undertaking further analysis of the costs of other comparable arrangements (e.g. advertising spend to promote BUSSQ brand and attract prospective members) so that BUSSQ can demonstrate and document consideration of fair value for members for the various services delivered by the CFMEU sponsorship expenditure.
R.5	<p>Enhance reporting on arrears collection arrangements to the relevant Board Committee for greater oversight</p> <ul style="list-style-type: none"> • Enhancing the regular arrears collection reporting presented to the relevant Board Committee for greater oversight <p>We note that BUSSQ has advised that it is currently working on having an update on arrears collection included in the strategic objectives monitoring and reporting and capturing arrears collection activities in the Executive Summary of the Administration Services paper for each Member Services Committee meeting from June 2025.</p>
R.6	<p>Update the annual remuneration review papers for Board and the PCRN Committee to include references to the best financial interests obligations</p> <ul style="list-style-type: none"> • Updating the PCRN Committee and Board papers for the annual remuneration review for Directors to incorporate appropriate references to the best financial interests obligations to demonstrate prudent consideration of BFID in making decisions on Director remuneration.
R.7	<p>Update relevant conflicts registers with detailed actions for management of conflicts arising from the CFMEU and other similar arrangements</p> <ul style="list-style-type: none"> • Updating the relevant registers (e.g. Internal Potential Conflicts Register) to include detailed action plans for managing the conflicts arising from the CFMEU and other similar arrangements, and relevant duties of the BUSSQ Directors who also hold senior positions at these sponsoring organisations, including accountabilities for implementation, ongoing evaluation and oversight.
R.8	<p>Develop a BFID Framework with overarching guidelines for BFID considerations in expenditure decisions</p> <ul style="list-style-type: none"> • Developing an overarching BFID Framework to provide guidance on: <ul style="list-style-type: none"> ○ The consideration of BFID against different types of expenditure to assist in ensuring consistent analysis for various types of expenditure (e.g. strategic / capital expenditure or operational expenditure such as arrears collection expenditure etc.). ○ The metrics to be used in assessing whether sponsorship and other expenditure would reasonably achieve its intended purpose and be consistent with BFID obligations. ○ The record keeping / documentation of expenditure decision to ensure compliance with BFID obligations. ○ The management of any conflicts specific to expenditure decisions. ○ The incorporation of the above into a holistic and structured section on BFID assessment within BUSSQ's Business Case Templates. This will enable key business stakeholders to assess how each expenditure meets the criteria for BFID.

Recommendations

R.9	<p>Review and uplift the EMF and EMP for greater alignment</p> <ul style="list-style-type: none"> Review the EMF and EMP for greater alignment. Specifically: <ul style="list-style-type: none"> Reviewing the definitions and types of expenditure as well as the approval process for different types of expenditure to ensure consistency and greater clarity between the EMF and EMP. Updating the EMF to provide further guidance on BFID assessment criteria for developing expenditure business cases and maintaining records of expenditure decisions to demonstrate compliance with BFID obligations (consistent with the development of the BFID Framework). Defining when management approvals of expenditure require a BFID assessment (consistent with development of BFID Framework). The EMF and EMP should also be consistent with the new BFID Framework.
R.10	<p>Include Conflicts and BFID considerations in Board and Board Committee Paper Templates</p> <ul style="list-style-type: none"> Including sections for conflicts and best financial interests considerations in Board and Board Committee paper templates with accompanying guidance notes to assist BUSSQ management and staff in preparing Board papers to ensure consistency and compliance with BFID obligations. This should also require business cases to be accompanied by a covering Board paper.

Enhancements

E.6	<p>Include the BFID principles in the Remuneration Policy and how they apply in the Director remuneration context</p> <ul style="list-style-type: none"> Including the best financial interests principles in the Remuneration Policy (e.g. the trustee must perform its duties and exercise its powers in the best financial interests of the beneficiaries) and how they apply in the Director remuneration context.
E.7	<p>Enhance the EMF and EMP to address the requirement under the new SPS 515 / SPG 515 (effective 1 July 2025)</p> <ul style="list-style-type: none"> Enhancing the EMF and EMP and other associated policies and procedures related to expenditure management, as part of BUSSQ's consideration of updating relevant frameworks and policies to address the requirements under the new SPS 515 / SPG 515 (effective 1 July 2025), including APRA expectation on robust governance and oversight of fund expenditure through an expenditure management framework which includes: <ul style="list-style-type: none"> a defined risk assessment process for decisions; policies and processes for the approval and monitoring of spending; Board oversight; alignment to strategic objectives, improved outcomes for members, and operational needs in line with the best financial interests of beneficiaries; and active monitoring, management and review.
E.8	<p>Record more detail in Board Minutes focusing on the core rationale for the Board's decision</p> <ul style="list-style-type: none"> Recording more detail in the Board or Board Committee minutes (across all expenditure types), relating to: <ul style="list-style-type: none"> The key actions to manage any conflicts; The key points discussed with management; and The core rationale for approving (or not approving) that a decision is in the best financial interests of members.

