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Employment Hero Submission to the inquiry into Treasury Laws Amendment (Supporting Choice in Superannuation and Other Measures) Bill 2025

*Schedule 2 – Ban on advertising superannuation products during onboarding
(proposed section 992AB)*

Executive Summary

Employment Hero supports the policy intent of this Bill. We share the Government's objective of reducing duplicate superannuation accounts, strengthening informed choice at onboarding and ensuring employees stay connected to the right fund when they start a new job. We have engaged closely and constructively on these reforms since 2023.

Employment Hero is one of Australia's largest employment platforms, supporting more than 350,000 employers and 2.5 million employees. As a registered Payroll Digital Service Provider (DSP), we integrate directly with ATO systems for Single Touch Payroll (STP) reporting and SuperStream processing for almost 100,000 employers and 1.6 million employees, and digitally onboard approximately 850,000 employees to the platform every year. This scale provides direct operational insight into how superannuation and stapled fund processes perform in high-volume digital onboarding.

Schedule 2 introduces a material implementation risk at commencement. It requires digital onboarding platforms to successfully retrieve and present an employee's stapled fund before displaying any other superannuation information. Under current ATO authority and sequencing settings, our modelling (see Appendix) indicates stapled fund lookups will be unavailable for an estimated 55–80% of digital onboarding events, affecting around 1.7 to 1.9 million employees annually across major digital platforms.

Where stapling cannot be retrieved in time, employees are far more likely to be placed into the employer's default fund, even where they already have an active super fund, increasing duplicate accounts. As currently drafted, Schedule 2 would also prevent platforms from presenting verified existing fund information unless stapling is returned and shown first, even where that information is purely factual and presented alongside the employer default.

Employment Hero recommends:

1. Defer commencement of Schedule 2 until July 2027 to ensure stapled fund retrieval is reliably available at scale (~80%+ success rate);
2. Alternatively, if commencement proceeds, permit "best available information" where stapling is not returned (including a verified existing fund option alongside the employer default, with prescribed disclosures and neutral presentation safeguards);
3. ASIC Regulatory Guidance (RG) to support a proportionate transition approach (drawing on the pragmatic approach used for Payday Super, including ATO PCGs); and
4. Publication of quarterly stapled fund retrieval success rates, disaggregated by channel.

These refinements preserve strong guardrails, reduce the risk of unintended duplication at scale, and help ensure stapling operates as intended in practice.

1. About Employment Hero

Employment Hero is an all-in-one employment platform, driven by a mission to make employment easier and more valuable. Founded in Australia in 2014, our AI-powered platform now supports more than 350,000 businesses and over 2.5 million employees, bringing together HR, payroll, recruitment and employee engagement tools and a marketplace that connects employers with job seekers.

As a DSP, Employment Hero integrates directly with ATO systems for STP reporting, SuperStream contributions, and employee onboarding. This gives us direct operational visibility into how superannuation processes work at scale, including the practical constraints that affect stapled fund retrieval during digital onboarding.

By digitising and streamlining administrative processes, we help employers reduce manual effort and support compliance and improve employee experience. In Australia, Employment Hero is a significant channel for digital onboarding and we have engaged constructively with Government and industry on the practical implementation of superannuation reforms delivered through employment and payroll software.

Employment Hero has invested in building HeroClear, an embedded superannuation clearing and payments engine designed to help employers meet Payday Super obligations, demonstrating our commitment to supporting these reforms through practical infrastructure.

2. Reform context: employee onboarding is now a digital, high-volume channel

Employment Hero supports the policy direction of Schedule 2 (reducing unnecessary duplication and ensuring the stapled fund is clearly presented where it can be successfully retrieved). But onboarding is now predominantly digital and high-volume, so the reforms must operate reliably in real-time journeys, at scale.

Employee onboarding is increasingly completed through digital employment and payroll platforms that capture personal details, tax file number declarations, superannuation choice, and other commencement requirements. Employment Hero alone processes onboarding for almost 1 million employees each year.

Across major digital employment platforms, the number of employees onboarded digitally each year is materially higher.

Digital onboarding journeys are completed step-by-step, information is not always available at the moment it is needed, and external dependencies, including ATO systems and employer authority settings, determine what can be retrieved and shown to an employee in real time. When stapled fund retrieval is unavailable in the onboarding window, the practical effect in digital journeys is that employees will only be shown their employers default funds and this will drive increased placement into default funds and new duplicate member accounts, contrary to the policy intent of stapling.

Given the significantly compressed commencement timeframe and the scale of digital onboarding in Australia, the reforms should be recalibrated to deliver their primary policy intent within the context of how onboarding actually occurs, and that platforms are able to support a "best available information" experience that preserves continuity and reduces unintended duplication.

A key practical consideration is that stapled fund retrieval depends on employer configuration and authority settings outside the onboarding platform. For Employment Hero alone, around 65,000 employers would need to complete an external ATO appointment/authorisation step to enable stapled fund retrieval through the platform. Comparable industry estimates suggest the number across major platforms is materially larger. Based on completion rates from comparable ATO authorisation processes, at Employment Hero's scale this would mean stapled fund retrieval would be unavailable for approximately 467,500 to 700,000 employees annually through our platform alone.

A further timing issue is the administrative burden on employers, particularly small businesses, created by the current ATO authority model. Today, stapled fund coverage in digital onboarding is gated by an external manual DSP appointment/authorisation step in ATO systems (Access Manager/Relationship Authority Manager or phone). There is currently no API pathway for a software provider to enable employers to easily complete DSP appointment. In practice, completing the manual appointment process can take 20–30 minutes per employer. At the volumes involved, this equates to more than 1,350 employer-days of additional administration across Employment Hero's customer base alone. It also becomes a predictable source of incomplete configuration at commencement, particularly given the commencement period coincides with Payday Super, when many employers will already be implementing significant payroll and compliance changes.

There is also a broader delivery and sequencing risk across the reform program. Employment Hero's teams are working closely and constructively with the ATO on implementation priorities, including Payday Super and the policy and platform changes that would materially improve stapled fund coverage during onboarding (such as optimising DSP appointment and reconsidering hard dependency constraints). If the ATO must deliver major capability for Payday Super while also implementing the additional authority and dependency changes needed to support reliable stapled fund retrieval at scale in the same compressed window, the risk is that critical dependencies do not land in time for commencement.

Aligning commencement with operational readiness would reduce this risk and support a smoother, more reliable implementation for employers and employees and improve stapled fund availability during onboarding.

3. The practical delivery gap: stapled fund retrieval is not reliably available at onboarding

Employment Hero supports the approach in proposed section 992AB(1), which sets clear boundaries for superannuation content during the onboarding window, and tightly framed exceptions that preserve stapling outcomes and enable practical administration at commencement.

However, Schedule 2 makes the display of any other superannuation information during onboarding contingent on stapled fund information being successfully retrieved and presented first. Where stapled fund information is not returned in the onboarding window, the practical effect in digital onboarding journeys is that employees may be presented only with the employer default fund, even where they already have an existing superannuation arrangement.

Our understanding, confirmed through consultation, Schedule 2, as drafted, would also block platforms from showing verified existing fund details unless stapling is returned and shown first, even where the verified information is purely factual, shown alongside the employer default and a powerful tool to reduce the risk of inadvertent duplicate fund creation.

3.1 Why stapled fund information is often not returned at onboarding

Retrieving stapled fund information during onboarding depends on several sequential prerequisites. If any one is not met, stapled fund information cannot be returned in time for the onboarding journey.

First, the employer must have completed the required DSP appointment/authorisation steps in ATO systems.
Under current settings, employers are required to complete an external appointment/authorisation step (currently via ATO Access Manager and Relationship Authorisation Manager, or by phone) to enable a DSP to request stapled fund information on their behalf. There is currently no in-platform mechanism or API pathway that enables a software provider to enable employers to easily complete this appointment end-to-end within the onboarding platform. At Employment Hero's current scale, around 65,000 employers would need to complete this external step to enable stapled fund retrieval through the platform. Comparable industry estimates suggest the number across major platforms is materially larger.

Second, the employee must have provided a TFN at the point of onboarding.
In digital onboarding, TFNs are not always available at the time onboarding is completed, particularly in high-turnover or fast-commencement employment contexts. Where a TFN is not available in the onboarding window, stapled fund retrieval cannot proceed.

Third, ATO matching and "no stapled fund" scenarios affect coverage even where the first two prerequisites are met.

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Even where authority settings are in place and a TFN is provided, matching is not perfect and there will be cases where the employee does not have a stapled fund (for example, first-time workers). These factors further reduce stapled fund availability during the onboarding window.

3.2 Compounding impact at scale (55–80% onboards will be unable to retrieve a stapled fund)

Because each prerequisite is binding and sequential, the practical effect is compounding. Based on Employment Hero's analysis of ATO authority completion rates for comparable authorisation processes, combined with TFN availability patterns and ATO match outcomes and validated against broader industry data, an estimated 55–80% of digital onboarding events will be unable to retrieve a stapled fund during the onboarding window under current authority and dependency settings.

At Employment Hero's scale, this means that under the current settings, approximately 467,500 to 700,000 employees each year could only be shown the employer default fund during digital onboarding because stapled fund information cannot be returned in time. Industry modelling across major platforms suggests the scale could be materially larger: around 1.67 million to 1.90 million employees per year (Employment Hero and MYOB/Flare combined) may be unable to view stapled fund information at onboarding under current settings.

This outcome would run counter to the policy intent of stapling. Default should operate as a genuine fallback where an employee does not make a choice and stapling is unavailable, not as the predictable pathway for large cohorts because stapling cannot be retrieved during the onboarding window.

3.3 Implementation sequencing and operational readiness at 1 July 2026

The stapled fund retrieval constraints outlined above sit within a broader implementation context. The 1 July 2026 commencement period coincides with multiple major changes for employers, platforms and government systems, including Payday Super implementation and the significant related employer payroll and compliance uplift activity. Employment Hero and the broader digital onboarding industry are working closely and constructively with the ATO on implementation priorities, including settings that would materially improve stapled fund coverage during onboarding while maintaining appropriate fraud and identity safeguards.

Reliable real-time stapled fund retrieval depends on settings designed to balance access to sensitive information with verification and fraud controls early in the employment relationship. This is an acknowledged implementation constraint that is being worked through with industry. At Senate Additional Estimates (Treasury Portfolio) on 11 February 2026, ATO officials noted the need to have confidence that a person requesting an employee's superannuation information is in fact their employer, while still enabling real-time outcomes where possible. The ATO also indicated that, while capability would be in place by 1 July 2026, it "may not be perfect" at commencement and that "some industry participants… are already well placed to interact with our systems and some… are not".

This evidence underscores a practical reality for digital onboarding: stapled fund retrieval outcomes at commencement will remain sensitive to employer authority settings and the availability of sufficient

employee information at the point of onboarding. In a high-volume, sequenced onboarding environment, that means coverage may vary across onboarding scenarios, even where platforms are operating effectively and in good faith.

Employment Hero recognises the importance of protecting sensitive superannuation information and managing fraud risk, and supports robust safeguards.

It is also relevant that the platforms in scope are a relatively small cohort of registered DSPs operating within an ATO-integrated framework. These providers are already entrusted with sensitive employer and employee information at scale, including payroll and onboarding data for hundreds of thousands of employers and millions of employees. Transition settings that lift stapled fund availability can and should preserve strong safeguards against misuse, while enabling legitimate, registered providers to support continuity outcomes for employees during onboarding.

These considerations reinforce the case for aligning Schedule 2 settings with operational readiness and for adopting transition arrangements that preserve the policy intent at commencement, rather than unintentionally driving default fund duplication when stapled fund information cannot be returned in the onboarding window.

3.4 Practical example: what happens when stapled fund information is not returned

The following example illustrates how these constraints play out in a real-world digital onboarding journey:

A 26-year-old employee starts a new job at a 15-person hospitality business in Melbourne. She has held the same superannuation fund for four years. It is a well-performing fund that has passed the APRA performance test and she wants to remain with it.

She begins digital onboarding through Employment Hero. Behind the scenes, the platform attempts to retrieve her stapled fund from the ATO. However, her employer, a small business managing day-to-day operations, has not completed the required DSP appointment/authorisation steps in ATO systems (currently completed via Access Manager/Relationship Authorisation Manager). As a result, the stapled fund request cannot be initiated and stapled fund information is not returned during the onboarding window.

What happens today (current settings)
Employment Hero can present her verified existing fund through direct fund integration. The platform confirms she already holds an account with Fund X, presents this information factually alongside the employer default fund, and she chooses to remain with her existing fund.

Outcome: *continuity preserved; no duplicate account created.*

What happens under Schedule 2 when stapling is unavailable

Under Schedule 2 as drafted, where stapled fund information is not returned, the platform would be unable to make verified existing fund information available to the employee during onboarding. The employee is presented with only the employer default fund and is not provided with any alternative MySuper products.

Unless she independently searches for and re-enters the details of her existing fund, a new account is created by default. She may then hold two super accounts, with separate fees and a fragmented balance, not due to an active decision to switch, but because stapled fund retrieval was unavailable at the point of onboarding and no continuity safeguard could be presented.

__Outcome:__ duplicate account risk increases; policy intent is not achieved in practice for this cohort.

Before and after: what employees see when stapled fund information is not returned

Information presented	Current settings	Under Schedule 2
Stapled fund	Not displayed	Not displayed (not returned)
Verified existing fund	Displayed where verified via direct fund integration (performance tested)	Cannot be displayed
Alternative MySuper products	Displayed where permitted under current settings	Prohibited
Employer default fund	Displayed	Sole option displayed
Employee's effective choice	Informed decision between existing fund and default	Materially reduced (only default available)

3.5 Scale and system impact

This scenario is not an edge case in digital onboarding. Under current authority and dependency settings, Employment Hero's analysis indicates stapled fund retrieval will be unavailable for an estimated 55–80% of digital onboarding events at commencement. At Employment Hero's scale, this would mean approximately 467,500 to 700,000 employees each year would be unable to view stapled fund information during onboarding. Industry modelling across major platforms suggests the aggregate impact could be materially larger (approximately 1.67 to 1.90 million employees per year across Employment Hero and MYOB/Flare combined).

When stapling can be returned in time, it achieves its intent. Where it cannot, Schedule 2 as drafted removes the continuity safeguard that would otherwise prevent unintended duplication for many employees.

4. What already works: Verified Existing Fund as a continuity safeguard at onboarding

For many years, Employment Hero has worked to reduce superannuation account duplication and support informed employee decision-making at the point of onboarding. We have proactively invested in capability that keeps employees connected to their existing super wherever possible and consider fund consolidation, recognising that job change is one of the few moments when many people meaningfully re-engage with superannuation.

Employment Hero has developed and operates a Verified Existing Fund capability designed to support continuity and reduce unnecessary duplicate account creation. Where an employee's existing fund can be verified through direct integrations and data validation, our platform can present that fund as a factual continuity option during onboarding. The capability is designed as a continuity and choice safeguard for employees. It does not recommend one fund over another and is not presented as promotional content. Employees can confirm their existing fund, select any other complying fund, or proceed with the employer default where no choice is made.

Across more than 2 million onboarding events, Employment Hero has presented verified existing fund information to around 20% of employees. In those cases, almost 90% of employees used the feature to remain with their existing fund. This demonstrates that, when employees are provided with clear, factual information about their existing arrangements at the point of onboarding, the dominant behaviour is to maintain continuity, directly supporting the policy intent of stapling and reducing duplication at scale.

However, under the current drafting, where stapled fund retrieval is unsuccessful, platforms would be unable to make this service available to employees, despite its demonstrated role in reducing duplication and supporting informed choice. This would remove a practical continuity safeguard precisely in the circumstances where stapled fund information cannot be returned during the onboarding window.

Employment Hero has also adopted governance settings to support employee protections and transparency in digital onboarding, including operating under a Super Choice Code of Practice (See appendix). At a high level, the Code commits onboarding platforms to: exclude products that have failed the APRA performance test; use clear, prominent disclosures (including labelling any advertising, explaining any platform fee arrangements, and making it easy for employees to skip/ignore advertising and find their existing fund via myGov or future ATO facilities as available); prohibit financial product advice; prohibit inducements to employers to steer employee choice; maintain financial-services-grade cybersecurity (e.g. ISO 27001 or APRA CPS 234); and operate a robust conflicts-of-interest framework.

5. Recommendations to support effective implementation of Schedule 2

5.1 Recommendation One
Delay commencement till 1 July 2027 to ensure reliable stapled fund availability at onboarding

To avoid unintended outcomes, Employment Hero recommends delaying commencement of Schedule 2 (and any related onboarding sequencing) until stapled fund information can be retrieved and presented reliably at scale during the onboarding window.

This would reduce the risk that large cohorts of employees are shown only the employer default fund at onboarding, resulting in large scale duplicate fund creation, because stapled fund information cannot be returned in real time.

A delayed commencement can be supported by clear readiness indicators, such as:
- evidence (including industry verification) that stapled fund requests can be initiated and returned reliably at a threshold of ~80%+ successful stapled fund retrieval rates during digital onboarding at scale; and
- assurance that the authority and sequencing settings required for real-time retrieval are operational for employers using employment and payroll platforms.

5.2 Recommendation Two
If commencement proceeds, refine Schedule 2 to support "best available information"

If Schedule 2 proceeds with commencement on 1 July 2026, Employment Hero recommends a targeted refinement to section 992AB to ensure employees can still see meaningful, policy-aligned superannuation information when stapled fund retrieval is not returned in the onboarding window.

Specifically, we recommend amending section 992AB (and/or the supporting regulations) to create an additional permitted exception that allows a platform to display "best available information" during onboarding, meaning:
- the employee's stapled fund, where it is successfully retrieved; and
- where the stapled fund is not returned in the onboarding window, an existing verified fund option limited to superannuation products the employee already holds and that have been confirmed through direct fund integrations and data validation, presented alongside the employer default fund.

This approach preserves the primacy of stapling, where it can be delivered in real time, while providing a tightly-defined continuity safeguard where it cannot.

To ensure the exception operates in a neutral, factual manner, the legislation/regulations and prescribed disclosures should include clear safeguards, including (at a high level):
- Verification gate: verified existing fund information may only be presented where confirmed through direct fund integrations and data validation;
- Factual-only content: information is limited to factual identifiers required for recognition (e.g. fund name and basic confirmation/account status) and must not include comparative, persuasive or promotional content;
- and
- Prescribed disclosures: disclosures must make clear the employee is not obliged to remain with any presented fund, the information is provided to support continuity, the employee retains the ability

to nominate any complying fund and no personal advice is being provided.

This refinement would materially reduce the risk of unintended duplication while remaining aligned with stapling's policy intent and maintaining appropriate guardrails during onboarding.

5.3 Recommendation Three
Support implementation through practical regulatory guidance and a proportionate transition approach

Employment Hero notes that for Payday Super, the ATO supported commencement through a pragmatic transition approach, including Practical Compliance Guidelines (PCGs). A similar, practical approach would materially reduce implementation risk for Schedule 2, particularly given the compressed timeframe and the dependency on settings and sequencing that are outside an onboarding platform's direct control.

We recommend that ASIC consult on and publish clear regulatory guidance for Schedule 2, setting out practical expectations and a proportionate transition approach as industry implements the new requirements and as authority, dependency and retrieval settings mature. This guidance would provide certainty for employers and platforms acting in good faith, support consistent implementation, and help ensure the policy intent is achieved in practice at commencement, without unintentionally driving default outcomes where stapled fund information cannot be returned in the onboarding window.

5.4 Recommendation Four
Publish stapled fund retrieval success rates to support transparency and readiness

To support transparency and implementation confidence, Employment Hero recommends publication of stapled fund retrieval performance metrics, reported quarterly and disaggregated by channel (including digital onboarding platforms, employer portals and other channels), with sufficient detail to show:
- the proportion of requests where a stapled fund is successfully returned in the onboarding window;
- the main categories of "not returned" outcomes (e.g. authority/appointment not in place, TFN not available, matching/no stapled fund); and
- trends over time as system and policy settings evolve.

Regular publication of these metrics would provide a shared, objective evidence base for government, employers and platforms to understand how Schedule 2 is operating in practice, particularly at and after commencement, and to calibrate implementation settings as needed. It would also support legislative finalisation and transition planning by making clear whether stapling is being returned at the level required to achieve the policy intent in real-world digital onboarding, and where constraints are driving default outcomes.

Over time, improved retrieval reliability would strengthen the Bill's operation in practice by increasing the likelihood that stapled fund information can be presented to employees during onboarding.

6. Implementation: a constructive path forward

Employment Hero recognises the importance of protecting sensitive superannuation information and managing fraud risk, and supports robust safeguards. The key is ensuring those safeguards operate in a way that preserves stapling outcomes in real-world digital onboarding, rather than unintentionally driving default placement and duplicate account creation where stapled fund information cannot be returned in the onboarding window.

Employment Hero has already invested in building HeroClear, an embedded clearing and payments solution designed to help employers comply with Payday Super from 1 July 2026, and is actively completing SuperStream v3 conformance testing. Our engagement on this submission reflects a constructive commitment to ensuring the broader reform package operates as intended.

We would welcome the opportunity to brief Committee members and the Secretariat on the end-to-end digital onboarding journey, the evidence and assumptions underpinning our modelling, and the practical operation of the safeguards proposed in this submission (including transition arrangements and reporting).

We also welcome continued collaboration with Government, the ATO.
Getting this right will help ensure the reforms strengthen, rather than dilute, one of the world's leading retirement systems.

7. Contact

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8. Appendix

8.1. Employment Hero's Super Choice Code of Practice

employment hero

Super Choice Code of Practice
2023

1. Products that fail the APRA performance test must not be advertised on onboarding platforms.

2. Clear and unambiguous disclosures must be featured alongside advertisements, including the following:

a) Employees must be given information about how to search for their existing fund – currently through MyGov, and through any future ATO facility where available;

3. No financial product advice may be given to employees by onboarding platforms.

4. Employers must not be offered any inducements by an onboarding platform or a superannuation trustee to encourage employees to nominate any advertised fund, whether or not the fund is a default product.

5. Cybersecurity must be maintained to the industry standard for financial services providers, including maintaining ISO 27001

8.2: Stapling Retrieval Success Rate Modelling

Methodology Overview

The following details the methodology used to estimate a 55–80% stapled fund retrieval failure rate in digital onboarding at commencement (1 July 2026) under current ATO settings.

The estimate is derived from a compounding probability model based on three sequential prerequisites that must <u>all</u> be met for successful stapling retrieval:

1. **DSP Appointment** – Employer must have completed ATO authorisation for the platform to request stapling
2. **TFN Availability** – Employee must provide Tax File Number during onboarding window
3. **ATO Matching** – The ATO system must successfully match the employee to the existing stapled fund

If <u>any</u> prerequisite fails, stapling retrieval cannot occur.

Table 1: Modelling Assumptions and Sources

Prerequisite	Estimate Range	Source	Notes
DSP appointment completion rate	15–50%	ATO Access Manager completion rates for comparable authorisations (STP Phase 2, SuperStream gateway registration). Validated against industry experience with similar multi-step ATO authorisation processes.	At EH scale: ~65,000 employers need an appointment. Historical ATO authorisation completion rates for comparable processes range from 15–50% within the first 12 months. Lower end reflects voluntary adoption without enforcement and the importance of the service to the employer.
TFN provided at employee onboarding	80–95%	EH platform data (anonymised, aggregated) validated against peers' member averages	In high–turnover sectors (hospitality, retail, casual), TFN provision can be as low as 80–85%. In professional services, approaches 95%. Variance reflects urgency of commencement, employment type, and employer onboarding practices.
ATO matching success rate	~60%	Match rate testing, industry consultation and ATO response in Senate Additional Estimates (11 Feb 2026).	Industry estimates based on Phase 1 stapling implementation suggest ~60% match rate when DSP appointment and TFN is provided. Matching failures occur due to: name changes, data quality issues, first-time workers with no prior super, recent fund changes not yet reflected in ATO records.

Table 2: Scenario Modelling – Success and Failure Rates

The following scenarios show how different combinations of prerequisite completion rates compound to produce the 55–80% failure range:

Scenario 1: Optimistic (Lower Bound – 55% Failure Rate)

Prerequisite	Rate	Cumulative Success
DSP appointment completed	85%	85%
× TFN provided at onboarding	88%	75% (0.85 × 0.88)
× ATO matching successful	60%	**45%** (0.85 × 0.88 × 0.60)

Result: 45% success → 55% failure

Assumptions: High DSP appointment completion (reflecting 6+ months of employer preparation, ATO outreach, and platform nudges), strong TFN provision, ATO matching at stated ~60% rate.

Scenario 2: Base Case (Mid–Range – 68% Failure Rate)

Prerequisite	Rate	Cumulative Success
DSP appointment completed	55%	55%
× TFN provided at onboarding	90%	50% (0.55 × 0.90)
× ATO matching successful	60%	**32%** (0.55 × 0.90 × 0.60)

Result: 32% success → 68% failure

Assumptions: Moderate DSP appointment completion (reflecting partial employer adoption through direct platform engagement but limited ATO enforcement in Year 1 per PCG approach), typical TFN provision, ATO matching at stated ~60% rate.

Scenario 3: Pessimistic (Upper Bound – 80% Failure Rate)

Prerequisite	Rate	Cumulative Success
DSP appointment completed	35%	35%
× TFN provided at onboarding	95%	33% (0.35 × 0.95)
× ATO matching successful	60%	**20%** (0.35 × 0.95 × 0.60)

Result: 20% success → 80% failure

Assumptions: Low DSP appointment completion (reflecting voluntary adoption without enforcement, compressed timeline coinciding with Payday Super implementation demands), high TFN provision, ATO matching at stated ~60% rate.

Scenario 4: Realistic Lower Bound (Commencement Period – 72% Failure Rate)

Prerequisite	Rate	Cumulative Success
DSP appointment completed	45%	45%
× TFN provided at onboarding	87%	39% (0.45 × 0.87)
× ATO matching successful	60%	**23%** (0.45 × 0.87 × 0.60)

Result: 23% success → 77% failure

Assumptions: Employment Hero's internal estimate for commencement period based on current trajectory. DSP appointment tracking at 45% of the target cohort as of Feb 2026. Average TFN provision accounting for mixed employment types.

Table 3: Sensitivity Analysis
This table shows how success rates change if individual prerequisites improve, holding others constant at Base Case levels (DSP 55%, TFN 90%, ATO 60%):

Improvement	New Values	Success Rate	Failure Rate	Change from Base
Base Case	DSP 55%, TFN 90%, ATO 60%	32%	**68%**	—
If DSP appointment reaches 80%	DSP 80%, TFN 90%, ATO 60%	43%	**57%**	–11 pp
If TFN availability improves to 95%	DSP 55%, TFN 95%, ATO 60%	31%	**69%**	+1 pp
If ATO matching improves to 75%	DSP 55%, TFN 90%, ATO 75%	37%	**63%**	–5 pp
If ATO removes DSP appointment requirement	(bypass), TFN 90%, ATO 60%	54%	**46%**	–22 pp
Combined: DSP 80% + ATO 75%	DSP 80%, TFN 90%, ATO 75%	54%	**46%**	–22 pp

Key insights:
- DSP appointment is the most impactful variable. Removing this prerequisite would cut the failure rate by 22 percentage points
- ATO matching improvement (60% → 75%) would reduce failure by 5 percentage points. Even in the optimistic combined scenario (DSP 80%, ATO 75%), the failure rate remains at 46%
- TFN availability has minimal impact (already high at 90%)

Table 4: Volume Impact at Employment Hero Scale
Based on Employment Hero's digital onboarding volume and the scenario modelling above:

Scenario	Failure Rate	Annual EH Onboarding Volume	Employees Unable to Retrieve Stapling
Optimistic	55%	~850,000	~467,500
Base Case	68%	~850,000	~578,000
Realistic Commencement	72%	~850,000	~612,000
Pessimistic	80%	~850,000	~680,000

Submission's conservative estimate: 467,500 to 700,000 employees annually at EH scale

Validation and cross–checks

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The modelling assumptions and resulting 55–80% range have been cross-checked through consultation with digital onboarding platforms and industry DSP groups and tested against publicly available stakeholder submissions and implementation experience. This validation indicates that the key drivers in the model (employer authorisation/appointment completion, TFN availability at onboarding, and matching outcomes) are directionally consistent across large-scale digital onboarding channels.

In particular:

- **Industry consultation:** Discussions with multiple onboarding platforms and DSP industry groups indicate similar ranges for expected stapled fund retrieval outcomes at commencement and highlight employer authorisation/appointment completion as the primary constraint in real-time onboarding.
- **Public stakeholder submissions:** Submissions from relevant funds and industry bodies have highlighted timing constraints and practical implementation limitations for stapling processes, including delays and infrastructure readiness issues, even outside a real-time onboarding context.
- **System and safeguard considerations:** Consultation feedback consistently indicates that real-time retrieval settings must balance access to sensitive information with appropriate verification and fraud controls, which can constrain retrieval availability during the onboarding window at commencement.

Together, these cross-checks support the conservative approach taken in this appendix and the conclusion that stapled fund retrieval failure rates are likely to be material at commencement under current authority and dependency settings.

Table 5: Industry-Wide Estimate

Extrapolating to major digital onboarding platforms (Employment Hero + MYOB/Flare combined):

Scenario	Combined Annual Onboarding Volume	Employees Unable to Retrieve Stapling
Optimistic (55% failure)	~2.5M – 3.0M	~1.38M – 1.65M
Base Case (68% failure)	~2.5M – 3.0M	~1.70M – 2.04M
Pessimistic (80% failure)	~2.5M – 3.0M	~2.00M – 2.40M

Submission's conservative industry estimate: 1.67M to 1.90M employees annually

Methodology Limitations and Assumptions

Limitations:
1. **DSP appointment data:** Based on historical completion rates for comparable ATO authorisation processes. Actual completion rates at 1 Jul 2026 will depend on ATO outreach effectiveness, ability for DSPs to engage employers in the context of Payday super changes, DSP communications and platform nudges, and employer prioritisation.
2. **TFN availability:** Estimated from Employment Hero's aggregated platform data. May vary by industry, employment type, and geographic region.
3. **ATO matching rate:** Based on ATO statements and Phase 1 stapling implementation experience. Actual performance at scale in a real-time onboarding context may differ.

4. **Sequential dependency assumption:** The model assumes prerequisites are strictly sequential. In practice, some employers may complete DSP appointment after onboarding is complete, allowing retrospective stapling retrieval (though this falls outside the "onboarding window" relevant to Schedule 2).

Conservative Approach

This modelling takes a **conservative approach** by:
- Using 60% ATO matching (per ATO statements) rather than higher industry estimates
- Assuming sequential failure (if any prerequisite fails, stapling fails)
- Not accounting for potential improvements between Feb 2026 and Jul 2026
- Using Employment Hero's actual platform data rather than industry averages where available

The 55–80% failure rate range represents plausible scenarios at commencement, not worst-case extremes.

Conclusion

Under current ATO system settings, 55–80% of digital onboarding events will be unable to retrieve stapled fund information during the onboarding window at 1 July 2026 commencement.
This estimate is:
- Data-driven: Based on observed matching outcomes, historical authorisation completion patterns, and Employment Hero's aggregated platform data
- Validated: Cross-checked through consultation with digital onboarding platforms and industry DSP groups, and tested against publicly available stakeholder submissions and implementation experience
- Conservative: Uses middle-range assumptions and accounts for uncertainty
- Transparent: Full methodology, assumptions, and sensitivity analysis provided for scrutiny

The primary driver of this failure rate is the DSP appointment prerequisite, which requires each employer to complete a manual, out-of-platform authorisation step. Removing or simplifying this prerequisite would be the most effective intervention to improve stapling availability at onboarding.