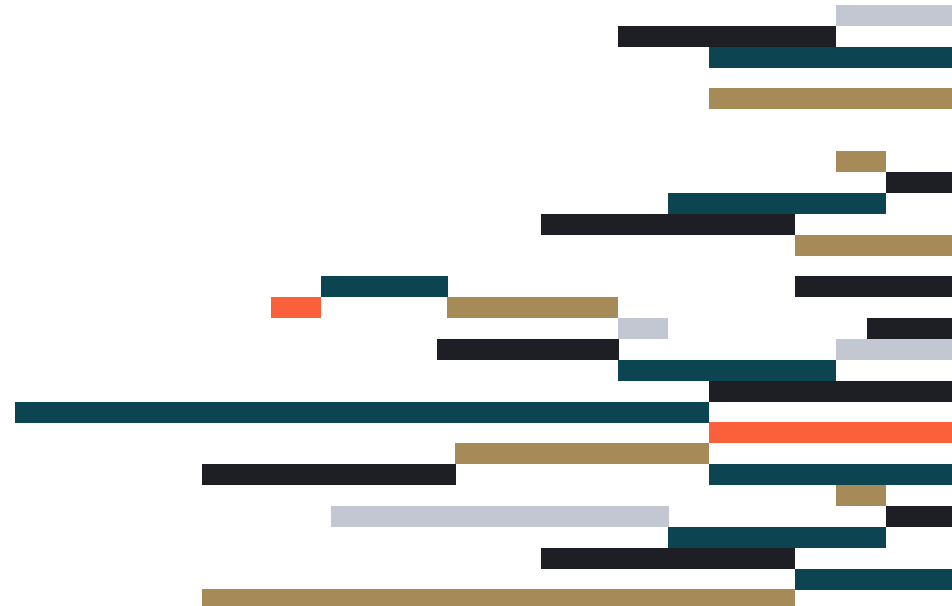


# Cruelty Free Super

**Member Outcomes Assessment**  
For the year ended 30 June 2024

28<sup>th</sup> February 2025



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# Introduction

# Introduction

## What is the Member Outcomes Assessment?

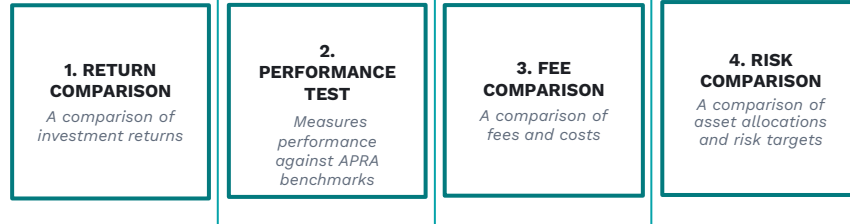
This document will focus on the key outcomes found within the assessment in relation to Cruelty Free Super; a product of the Professional Super sub-plan of OneSuper (“Cruelty Free Super”). It analyses how Cruelty Free Super’s products compare to similar products and whether these products are serving the financial interests of the members. The document will present the final conclusions and summary, before going into detail on steps 1 and 2 of the assessment.

All data is reported in accordance with APRA requirements. This assessment was undertaken in February 2025, and is relevant for the financial year ended 30 June 2024.



### Approach for this assessment

#### Step 1: Measure and compare products



#### Step 2: Assess product appropriateness

Assessment of product appropriateness against key factors that can affect superannuation

##### Section 52 (11)

1. Options, benefits and facilities
2. Investment strategy
3. Insurance strategy and fees

##### SPS 515

4. Scale
5. Operating costs
6. Basis for setting fees

#### Step 3: Publish determination

A publication with a determination for each product is required to assess whether the financial interests of the beneficiaries who hold the product are being promoted.



# Executive Summary

# Product Determination

The Trustee has determined that it is promoting the financial interests of the beneficiaries invested in its products on the basis that:

- New Cruelty Free Super investment options have been introduced to address the failed performance test in FY23, to provide members with the ability to choose to invest in only one option, or to choose to mix their preferred percentage in any of the three investment options;
- Total fees (which includes both administration and investment fees) for the Cruelty Free Super Australian Shares and Cruelty Free International Shares investment options are equal to or less expensive than the peer fund median; and
- The objective assessment factors, being Cruelty Free Super's options, benefits and facilities, investment strategy, insurance strategy and fees are considered appropriate for Cruelty Free Super's members and do not inappropriately erode their retirement balances.

However, the Trustee does note that:

- Fees for the Cruelty Free Cash investment option are higher cost than the peer fund median at all balance points, as are administration fees for Cruelty Free Super's Australian Shares and International Shares investment options, indicating that there is an opportunity for improvement on administration fees and the operating expense ratio in order to be more competitive with peers.
- Cruelty Free Super's Australian Shares and International Shares investment options focus on Environmental, Social, and Governance investment strategies which can be more costly and result in underperformance against industry medians. Members accept this to ensure alignment with their ethical standards.
- Members may be disadvantaged due to the scale and high operating expense ratio of Cruelty Free Super. The Promoter has been actively pursuing strategies which enhance the features, benefits and services of the superannuation fund it promotes, with the objective of growing the Fund, achieving efficiencies, improving member outcomes and reducing the associated costs of running the Fund.



# Choice Overview

# Cruelty Free Super Overview

Cruelty Free Super has two investment options that are designed to provide investors with a way of building retirement savings by investing in portfolios of companies, which have been constructed with the objective of minimising harm to people, animals and the environment. These investment options are the Cruelty Free Australian Shares and Cruelty Free International Shares options.

Cruelty Free Super also provides access to a Cash investment option. The assets held by this investment option consist of cash held in a bank account. Labour standards and environmental, social and ethical considerations are not taken into account for this option.

On 1 June 2024, the Cruelty Free Super Growth option, which failed the performance test in FY23, was closed and members' account balances were transferred to three new investment options. These new options were designed to provide members with greater flexibility to adjust their asset allocations, enabling them to tailor their investments to align with their individual financial needs, circumstances, and objectives.

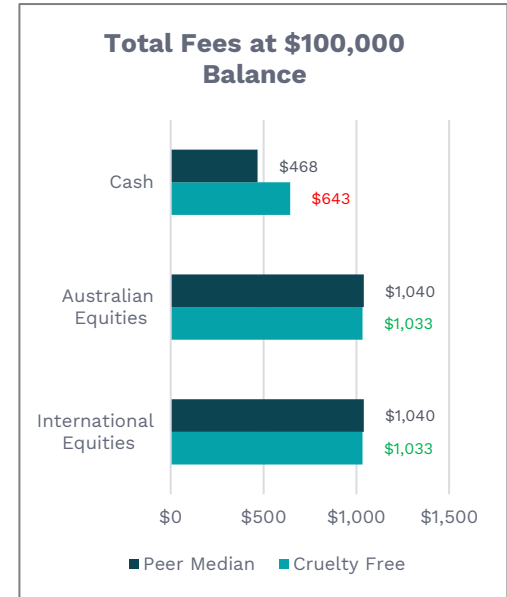
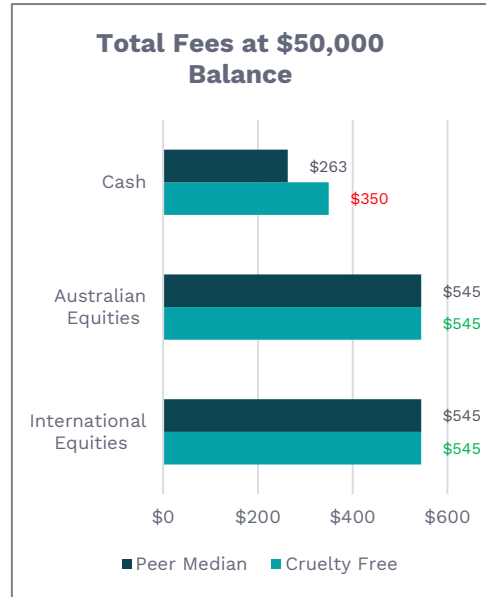
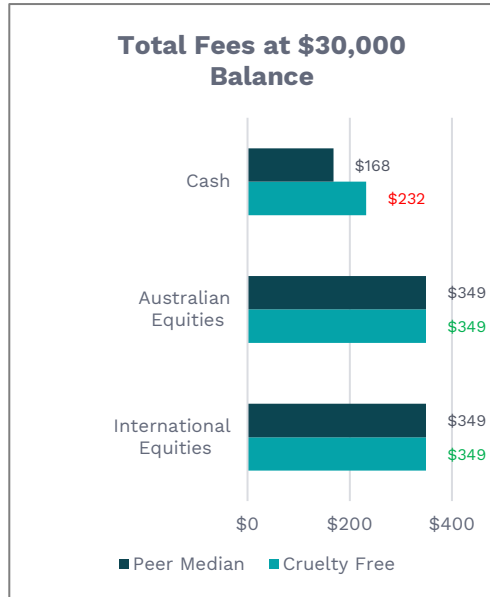


# Choice Assessment

# Fees & Costs Comparison – Total Fees

Cruelty Free Super’s total fees (administration fees plus investment fees) are compared against the fund median total fees of 20 other peers\* in the chart below, based on the relevant asset classes.

Cruelty Free Super’s Australian Shares and International Shares investment options are equal to or lower cost than the peer fund median when total fees are calculated on \$30,000, \$50,000 and \$100,000 balances, however the Cash investment option is higher cost than the peer fund median at all balance points.



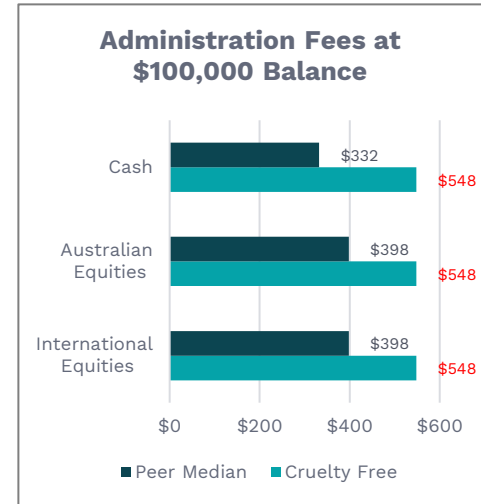
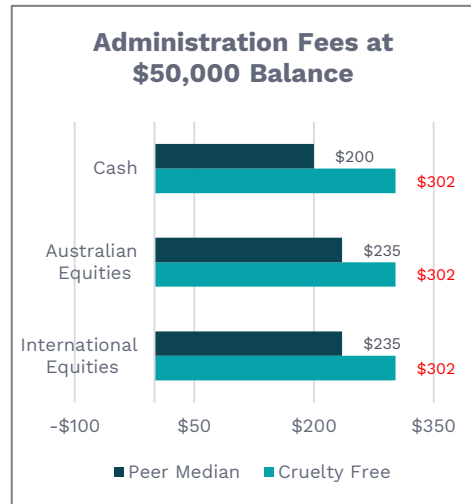
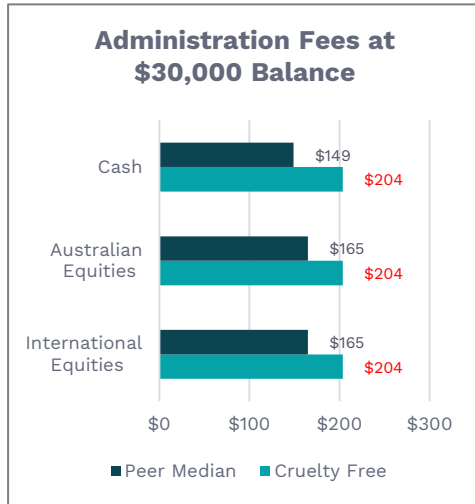
\*Peer group includes AMP, Aust Ethical, Australian Retirement Trust, Australian Super, Aware Super, BT, Future Super, Guild Super, Living Super, Intrust Super, Mercer Super Trust, Plum Super, Prime Super, Raiz, smartMonday, Spaceship Super, Suncorp, Superhero Super, Unisuper and Zurich.

# Fees & Costs Comparison – Administration Fees

Cruelty Free Super’s administration fees are compared against the fund median administration fees of 20 other peers\* in the charts below, based on the relevant asset classes.

Cruelty Free Super’s administration fees for all three investment options are higher than the peer fund median when calculated on \$30,000, \$50,000 and \$100,000 balances. For fees and costs, the Trustee has determined that, on balance, it is promoting the financial interests of the beneficiaries as the total fees for Cruelty Free Super at a product level are less expensive than the peer fund median, with the exception of the Cash investment option.

However, the Trustee does note that the Cruelty Free Super Australian Shares and International Shares investment options are expected to be higher given the niche nature of these investment options, which includes an Environmental, Social and Governance (‘ESG’) investment approach which incorporates additional asset screening. Members are willing to accept this to ensure alignment with their ethical standards.



# Investment Return Comparison

On 1 June 2024, Cruelty Free Super's Growth investment option was closed, and members' account balances were transferred to three new investment options. These new investment options were designed to provide members with the ability to choose to invest in only one option, or to choose to mix their preferred percentage in any of the three investment options. As part of the successor fund transfer to the Professional Super sub-plan of OneSuper on 1 June 2024, members' account balances were allocated as follows:

Investment Option	Initial Allocation
Cruelty Free Super Cash	10%
Cruelty Free Super Australian Shares	45%
Cruelty Free Super International Shares	45%

Investment returns have not been considered in this assessment given the investment options had less than a 1-year performance history to 30 June 2024.

The Trustee has determined it is promoting the financial interests of the beneficiaries by introducing the new investment options. The investment returns are not available yet for these new options hence no comparison has been provided.

# Investment Risk Comparison

It is difficult to make a reasonable comparison against the industry in relation to investment risk as there is no publicly available information which provides a breakdown of the level of investment risk for each Choice investment option.

The level of risk we take to achieve our target returns is important and each asset class performs differently and carries different risks. The trustee has governance processes that include the setting of strategic asset allocations for funds and conducts market risk stress testing for all investments on an annual basis.

As a result, the Trustee has determined it is promoting the financial interests of its beneficiaries in respect of investment risk.

# APRA's annual performance test: Accumulation

From 1 July 2023, certain accumulation diversified investment options are subject to APRA's annual performance test. The test measures the performance of these investment options against a benchmark determined by APRA. It compares the investment options earnings, less investment costs, with those of similar investment options over the same period. It does not consider member's personal situation, fees, or tax. Only investment options with performance history of at least 7 years were included in the 2023/24 performance test.

Where an investment option fails the performance test for the first time, the trustee must inform members of this fact in writing. Where an investment option fails the performance test for two consecutive years, the trustee will be prohibited from accepting new members into that option.

The performance test assessment metric is based on two components:

1. an investment return component that measures the net investment return of a product relative to an APRA determined benchmark that is created using a product's strategic asset allocation (SAA) (the '*Actual return minus benchmark return*' in the table below). The investment return, relative to the benchmark, measures how a Trustee is delivering value to members when implementing the SAA for the product; and
2. an administration fees component, which compares the latest year of administration fees and costs charged to an industry benchmark. For each option, a representative administration fees and expenses ('*RAFE*' in the table below) measure is determined based on fees over the latest year for a representative member with an account balance of \$50,000 and this is compared to a benchmark ('*Relevant BRAFE*' in the table below), which is the median RAFE of all options within each product group.

An investment option fails the performance test if the '*performance test metric*' is below a threshold of minus 0.50% points per annum.

None of the Fund's investment options were assessed under the performance test as they are not subject to the performance test as they do not have 7-year performance and are single sector investment options.

## OPTIONS, FACILITIES & BENEFITS

Cruelty Free Super offers a range of services and products to all members in order to assist them with engaging with their superannuation so that they can maximise their balance and optimize their retirement outcomes.

Cruelty Free Super's member services have a high rate of satisfaction. During FY24, Cruelty Free Super had a Net Promoter Score ('NPS') of 20. Cruelty Free Super offers a number of online features for its members including a First Home Super Saver Scheme tracker, a balance graph and a personalized year in review for each member.

The Trustee has determined that the options, benefits and facilities offered under the product are appropriate to members.

## INVESTMENT STRATEGY

The Cruelty Free Super's Growth investment option failed the FY23 Performance Test. As a result, the Trustee introduced the three new single sector investment options to the Cruelty Free Super fund on 1 June 2024.

Cruelty Free Super now offers three single sector investments options:

- Cruelty Free Australian Shares
- Cruelty Free International Shares
- Cash

There were no changes to the values of Cruelty Free Super. Cruelty Free Super offers a product for investors who are seeking an Environmental, Social and Governance ('ESG') product with additional asset screening elements. Cruelty Free Super focuses on restricting investments in companies whose activities involve the abuse or exploitation of animals or are not consistent with other ethical, environmental and social values.

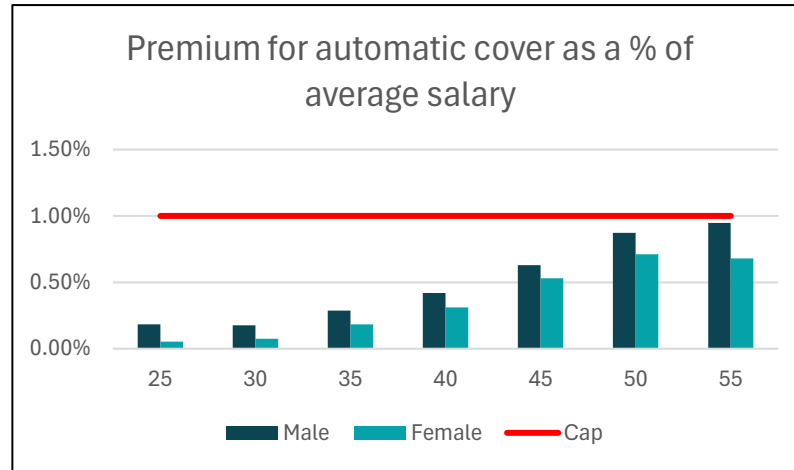
The Cash option does not have any ethical investment screening applied as it is money held in a bank account.

The Trustee has determined that the investment options offered under the product are appropriate for members.

## INSURANCE STRATEGY & FEES

Cruelty Free Super provides insurance for members through AIA Australia. Members may opt-in to standard insurance cover when they first join, after considering their personal situation and needs,

The following graph shows how Cruelty Free Super's premiums for Automatic Death and Total and Permanent Disability insurance cover compared to a 1% of average salary\* erosion test across different ages.



Based on our analysis, the Trustee has determined that that the insurance strategy for the product is appropriate for Cruelty Free Super's members, and that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.

## SCALE

Cruelty Free Super had 6,259 members with approximately \$132 million in funds under management as at 30 June 2024. Below are key growth metrics for Cruelty Free Super in the year to 30 June 2024.

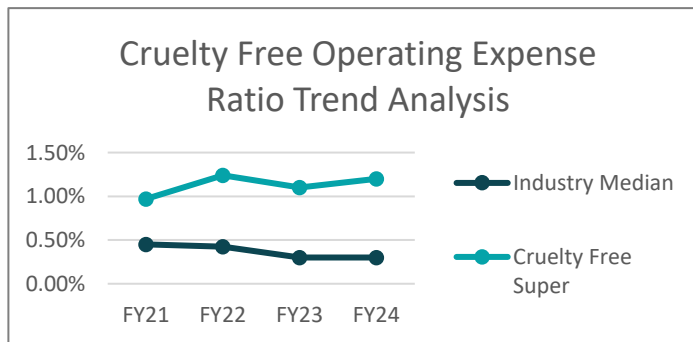
- Funds Under Management ('FUM') grew by 4.11% from prior year, compared to the industry median of 9.63%
- Number of member accounts decreased by -5.35%, compared to the industry average of 1.10%
- Total net members' benefits flows were negative of -\$3.9M, compared to the industry median of \$3.7M
- Net Contribution flows increased from prior year by 6.49%, compared to the industry of 14.31%
- Net Rollover flows changed by 1130.79% from prior year, compared to the industry change of -64.67%
- Net members' benefit outflow ratio of 117.00% is less favourable, compared to the industry median of 89.20%

The above data indicates that Cruelty Free Super member growth was negative during FY24. This can largely be attributed to the extended black-out period that occurred as a result of Cruelty Free Super and its members transferring via successor fund transfer to the Cruelty Free sub-plan of OneSuper on 1 June 2024, and the product being off market during 2024.

It is concluded that members may be disadvantaged due to the scale of Cruelty Free Super. However, it is expected that growth figures will significantly improve during FY25 with the re-opening of Cruelty Free Super. In addition, the Promoter has been actively pursuing strategies which enhance the features, benefits and services of the superannuation fund it promotes, with the objective of growing the Fund, achieving efficiencies, improving member outcomes and reducing the associated costs of running the Fund.

## OPERATING COSTS

Cruelty Free Super's operating expense ratio for FY21 – FY24 is shown in the graph below compared to the industry fund median (derived from APRA data). It is noted that Cruelty Free Super's operating expense ratio is significantly higher than that of the median fund however has decreased from FY22 to FY23, then slightly increased by 0.10% from FY23 to FY24. This is largely due to the costs incurred as part of the successor fund transfer during the year.



The relatively high operating expense ratio may indicate member retirement balances being inappropriately eroded.

The Trustee notes that Cruelty Free Super and its members transferred via successor fund transfer to OneSuper on 1 June 2024, which should result in decreased costs in FY25. In addition, the Promoter has been actively pursuing strategies to achieve efficiencies and reduce the associated costs of running the Fund.

## BASIS FOR SETTING FEES

The basis for setting fees is considered appropriate for a niche product with investments into very restricted asset selection with high negative screening costs for the Cruelty Free Australian Shares and Cruelty Free International Shares investment options. There is a premium reflected in the total fee for a product that aligns to specific moral standards.

The investment and administration fee rates are in line with operating costs which ensures fairness and limits subsidisation by higher account balances.

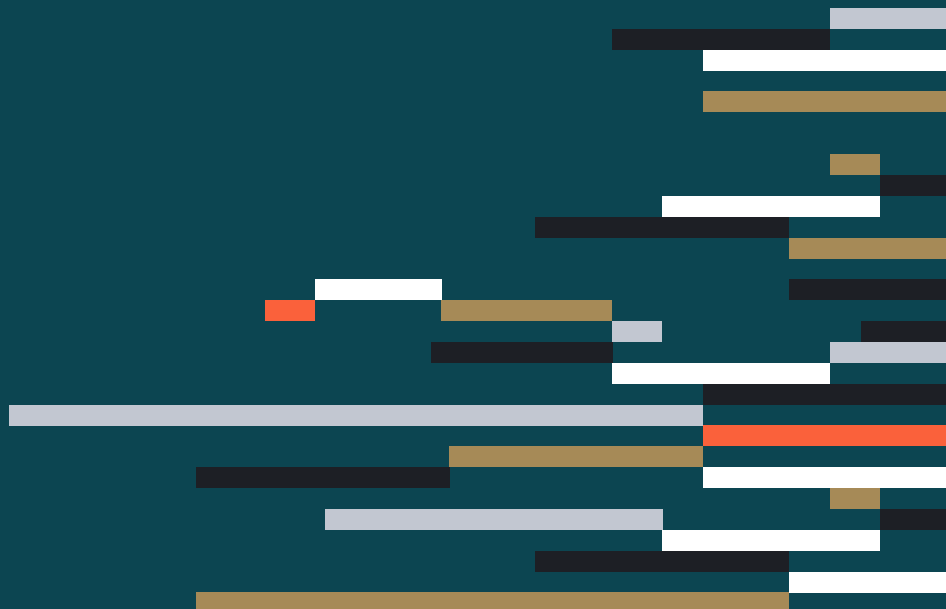
The administration fee is comprised of the combination of a flat dollar-based fee (\$56 per annum) and a percentage fee of 0.492% per annum. The combination of flat and percentage administration fee structure will not erode the retirement balances of lower account balance members but ensures services available to all members are appropriately shared across the fund membership base.

Fees are charged to members on a monthly basis, therefore ensuring that the cost of maintaining a superannuation account is smoothed over the course of a year rather than members incurring a large impact to their balance at once.

The basis for setting the fees, the Trustee has determined that, on balance, it is promoting the financial interests of the beneficiaries as the total fees for Cruelty Free Super at a product level are less expensive than the peer fund median, with the exception of the Cash investment option.



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