Operational Due Diligence Practices Survey

SBai
Standards Board for Alternative Investments

This report contains the results of the SBAI's 2024 Operational Due Diligence (ODD) Practices Survey, providing institutional investors with insights into how their peers structure their approach to ODD, ODD practices and developments, and some of the challenges ODD professionals face.

Introduction

Operational Due Diligence (ODD) plays vital role in protecting institutional investors from financial losses and reputational risk that can arise due to operational failures at the investment managers and service providers they allocate to and employ. ODD teams provide their organisations with unique insights – not only on operational risks, but also broader industry developments and innovations such as impacts of regulatory developments or emerging issues[1]. The SBAI supports institutional investors by setting industry Standards[2], providing guidance on a wide range of topics that emerge in due diligence[3], facilitating education and collaboration[4], and thereby improving the efficiency of due diligence and monitoring.

This survey[5] was designed to support the SBAI's ODD Community[6], which brings together senior ODD personnel at SBAI Investor Chapter member firms to network with peers, benchmark and share best practices, and to inform the SBAI's priorities for setting standards and addressing issues affecting the industry.

Key takeaways:

- **ODD is an integral part of the investment process** and most institutional investors have dedicated ODD functions.
- **ODD is evolving to meet industry needs and becoming more flexible and "risk-based":** institutional investors increasingly adopt a risk-based approach to ODD, varying their monitoring programmes and oversight to take account of areas of increasing risk.
- **Collaborative and consensus driven approach:** consensus appears to be a highly favoured approach to managing the investment approval process, with outright veto usage by ODD teams being less common, and most organisations adapting a flexible approach to deciding whether to allocate to or redeem from a manager.
- **ODD resourcing challenges:** increasing deal volumes and complexity, growing scope of expertise needed (including cybersecurity, ESG, regulation, etc.), and the addition of "new" asset classes (such as illiquid investments, digital assets, etc.) result in greater pressure on teams and some concerns about their ability to carry out their role effectively.
- **Under duress and out of time:** a sizeable minority of survey respondents stated that they feel they do not always have time to comprehensively complete their reviews and have at times felt under duress to 'approve' some managers despite the risks uncovered. These issues appear to be more keenly felt amongst larger ODD teams within our sample.
- **Heightened alertness for regulatory developments:** regulatory change requires ODD teams to constantly assess the impacts of such changes in relation to disclosure, side letters, investor rights, conflicts of interest, and more. With great changes coming through recently, ODD teams are grappling with these topics.

While many of the findings in this survey are encouraging (i.e., organisational integration, collaboration, professionalisation, adaptability) – concerns raised about resourcing challenges and ability of ODD teams to stay on top of all emerging issues should give investment leaders food for thought in relation to the set up and resourcing of ODD functions going forward.

The SBAI's ODD Community and Toolbox of guidance and templates can help ODD teams and institutional investors as they engage with these topics.

Contents

The survey covers five areas of interest, namely:

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[1] The SBAI supports the Alternative Investment Industry through guidance and thought leadership – including our 'Professionalism in Practice' Series, jointly published with the Chartered Alternative Investment Analyst (CAIA) Association, which covers topics such as 'Striking the Right Balance: Navigating ODD and IDD in Institutional Investments'. This piece explores the professionalisation of ODD and key challenges that have arisen in the post-financial crisis Goldilocks era including the "fear of missing out" (FOMO), "operational washing", resourcing constraints, and power imbalances in organisations. The article concludes by looking at the potential for ODD to deliver "operational alpha", and other key considerations for investment leaders as they build their investment programmes. Access here: **https://www.sbai.org/resource/striking-the-right-balance-navigating-odd-and-idd-in-institutional-investments.html**

[2] The Alternative Investment Standards address key areas of alternative investment practices including disclosure, valuation, risk management, fund governance, and shareholder conduct. Access here: **https://www.sbai.org/standards.html**

[3] The SBAI Toolbox of practical guidance and templates seeks to improve industry outcomes through education and standardisation for the Alternative Investment industry. Access here: **https://www.sbai.org/toolbox.html**

[4] The SBAI facilitates education and collaboration through our Working Groups and Communities. Find out more: **https://www.sbai.org/collaboration.html**

[5] Survey demographics and scope: 44 individual firm responses received, representing >$2tn in assets under management – with respondents including ODD professionals at institutional investors including pension schemes, sovereign wealth funds, endowments, private banks, and family offices. Please note that the data collected in this survey included a mixture of direct questioning and open responses.

[6] The SBAI Operational Due Diligence (ODD) Community is a peer network for senior ODD professionals at SBAI Investor Chapter firms. Find out more: **https://www.sbai.org/group/operational-due-diligence-community.html**

1. Organisational Arrangements

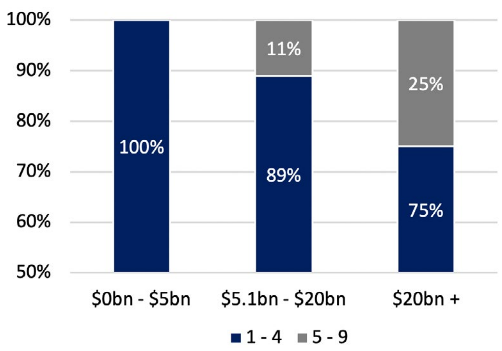
This section explores how ODD is embedded in the organisational structure of institutional investors. We outline findings such as how staffing levels vary as a function of AUM of the organisation, how those teams may be structured, and who they report to internally.

Structure, Resourcing and Reporting Lines of ODD Teams

70% of respondents to the survey have dedicated ODD teams, with the remaining 30% either have (non-dedicated) staff in charge of ODD (alongside their other main responsibilities) or have outsourced all ODD matters to external consultants.

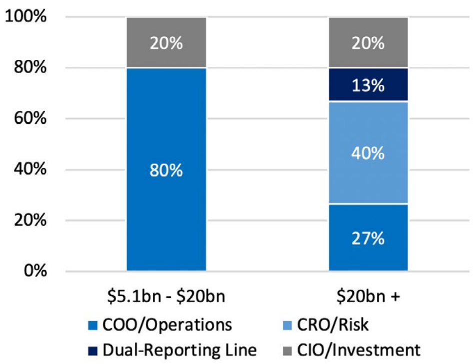
Key findings for investors with a dedicated internal ODD team:

Size of ODD teams given AUM



- As AUM increases, the size of dedicated internal ODD teams tends to increase.
- ODD teams of 1 to 4 personnel are the most common size across the AUM buckets observed.
- ODD teams of 5 to 9 personnel are largely limited to investors with AUM of $20bn+.

Reporting Lines of Dedicated Internal ODD Teams (excluding Head of ODD) given AUM



- Reporting to a non-investment function (80% of all respondents) is substantially more common than reporting to only an investment function (20%).
- There is greater variation in reporting lines seen within larger investors (AUM of $20bn+), including other reporting lines or dual reporting lines. This is likely a consequence of higher levels of AUM potentially resulting in more complex organisational structures.

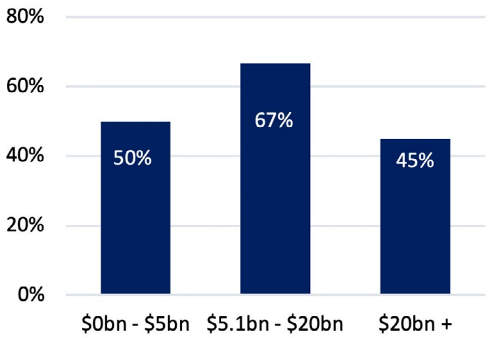
Key findings for investors with no dedicated internal ODD team:

- The majority (69%) had some staff responsible for ODD matters, though not in dedicated roles. The remainder of respondents (31%) outsource ODD matters entirely to external consultants.
- There was a preference for ODD matters to be reported to/overseen by a CIO (Chief Investment Officer) / Investment function (54%), with COO (Chief Operating Officer) / Operations (23%) and CRO (Chief Risk Officer) / Risk (7%) functions seen less commonly. This may suggest more integrated structures in cases of no internal ODD teams, where all investment related activities (ODD and IDD) are grouped under the CIO/ Investment function.

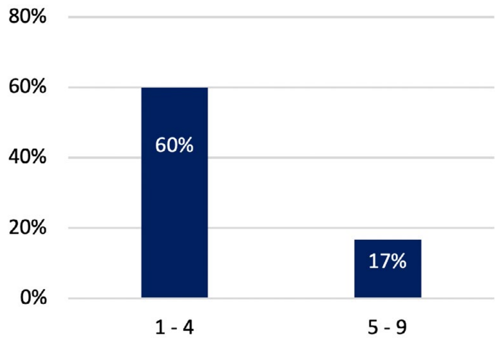
2. Use of Investment Consultants

In this section we assess findings such as how institutional investors use external consultants to support their ODD function, and how this use of consultants varies as result of AUM and internal resourcing levels.

Use of External Consultants by AUM



Use of External Consultants by Team Size



- External consultants were used by 59% of total respondents, with this seen most strongly in smaller and mid-sized investors (AUM of $0bn-$5bn and $5.1bn-$20bn).

- Consultant usage is very common (77%) for organisations that do not have a dedicated ODD team – potentially a result of efforts to manage costs with variations in ODD work volumes or ongoing monitoring of managers.

- Consultant usage tends to decline with larger team sizes, suggesting more “internalisation” of ODD related work.

3. ODD in the Investment Process

This section outlines findings on how ODD teams conduct ODD reviews, including practices around going onsite and whether feedback is provided to investment managers. Furthermore, we look at who results of a review are reported to, and how frequently investment managers are monitored on an ongoing basis. These questions are pertinent, as they shine light on how processes may have evolved in a post-pandemic world.

We also assess the use of veto rights within institutional investor organisations and how frequently those rights may be employed. This is an interesting discussion point, as adoption of veto rights could possibly be construed as elevating ODD to a position of power or influence in the investment process, and usage could be indicative of the effectiveness of communication between IDD and ODD teams.

Practices around ODD reviews

“When allocating to new investment managers, does your organisation conduct a full ODD review?”

The vast majority (77%) of respondents favour a full ODD review at the inception of a new manager relationship – consistent across all ODD team sizes and AUM sizes of organisation. 16% of respondents take a more dynamic or risk-based approach.

“When allocating to new investment managers, does your organisation conduct an onsite review?”

There is a strong tendency towards conducting onsite reviews when allocating to new investment managers. A majority of respondents affirm that their organisations conduct onsite reviews, done either by the internal ODD team or through leveraging external consultant relationships (60%). Some further respondents noted onsite being preferred but sometimes flexibility being taken with ‘virtual’ visits (detailed further below). Several responses indicate a risk-based approach, e.g., dependent on asset class, whether the manager is emerging or established, etc. (18%). A small minority of respondents do not conduct onsite reviews (7%).

For some survey respondents, onsite reviews might be more frequent with local managers or when staff are already traveling for international trips. In other words, geographical location plays a role in the process – both in terms of resourcing (travel time, cost) and deadlines/desired time to allocation. Due to other practical constraints such as time zones, bandwidth, or regional challenges, some respondents (7%) have noted adoption of virtual reviews as an alternative to onsite visits – a practice that was necessary during the COVID-19 period.

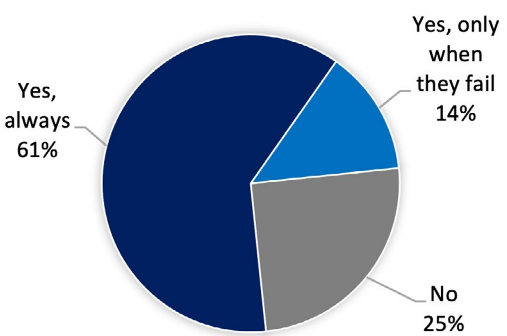
In summary, while onsite reviews are a common practice, their frequency and execution vary widely among organisations and are influenced by factors such as risk assessment, manager location, travel schedules, cost, and operational capabilities.

Manager Feedback

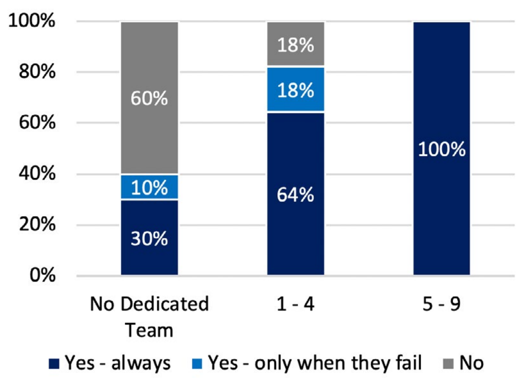
Most respondents indicated that their organisations provide feedback to the investment manager at the end of the ODD review. This allows investment managers to understand where they can make operational improvements. Feedback allows investment managers who have failed an ODD review to understand the likely critical issues they need to rectify to make operational improvements and pass future reviews.

"When a review has been completed is feedback provided to the investment manager?"

Feedback Provided (% all respondents)



Feedback Provided by Team Size



Meanwhile, a quarter of respondents do not provide feedback at the end of the review process. This is possibly due to lack of time or resource to do so, given that large teams commonly provide feedback to the managers.

In the SBAI's view, providing feedback is a good practice which investors should adopt as it helps drive improvements in manager practices to the benefit of all investors and the broader investment industry.

Internal Communication Post-Review and Veto Rights

"When a review has been completed, who do you present your findings to?"

The Investment Committee is the primary recipient of completed review findings in most organisations. While many respondents specifically mentioned the Investment Committee alone (50%), others included additional groups such as the Board, Risk Committee, Fund Board, and CRO as receiving communication around reviews at the same time (25%).

In cases where there is no Investment Committee, findings are typically reported to the senior investment officer of the asset class and/or a CRO or CCO. Some organisations have a dedicated ODD Committee, indicating a structured and formalised process for handling review findings. This committee might include members such as ODD representatives, CCO, COO, and the CRO – with the Head of ODD chairing the committee.

Additional observations:

- Where organisations have a more expansive list of recipients, these include Investment Operations, leadership such as the CIO, PMs (Portfolio Managers), and second-line Risk teams. There are also mentions of sharing findings with external parties, presumably for transparency or regulatory compliance.

- Some organisations incorporate findings into an Investment Memo or a Deal Team report that gets distributed to key stakeholders, including the head of the Investment Department and CFO (Chief Financial Officer). The results may also be included in the investment committee memo for decision-making.

The diversity of responses reflects the varying structures, protocols, and hierarchies within organisations related to ODD and decision-making processes. This underscores the importance of tailored approaches to presenting findings based on the organisation's size, management structure, and the nature of investments under consideration.

"Does your organisation give ODD a right of veto over new investments? If yes, please describe the circumstances under which a veto can be utilised."

Of those organisations with dedicated ODD teams, 32% of survey respondents noted ODD functions having formal veto rights – with some organisations (15%) having self-described 'effective' veto powers (though not labelled as a veto). A few responses noted that ODD can exercise a veto when a manager's rating falls below minimal requirements or if there is a material unsatisfactory condition identified that cannot be remediated. Further responses detailed a range of practices and treatment.

No Formal Veto Rights: Practices are split, with 38% of respondents indicated that the ODD function does not have a formal right of veto. In some responses, it was noted that there needs to be significant concerns from an ODD perspective to slow down or halt the investment process.

Influence Without Veto: Some (12%) organisations mention that while ODD does not have a hard veto right, negative findings from ODD are taken very seriously by the Investment Committee and can influence their decisions.

Additional observations around use of vetoes:

Background Checks: For certain organisations, findings from background checks that show integrity or character issues can lead to a veto of the proposed investment.

Rating Scales: Some use a rating scale for managers, and ODD may veto an investment if the manager's rating is below the required threshold – especially if the manager is unable or unwilling to cooperate, or if the nature of the setup is unsuitable.

Governance Committees: Some organisations have governance committees that could allow for a veto – but this is not commonly exercised in practice as consequence of consensus decision-making and socialisation of concerns, or minimum requirements that already provide safeguards.

Material Risks and Compliance Breaches: If there is a significant risk or a serious breach of regulation, or if the manager lacks a clear business vision going forward, ODD may step in to veto the investment.

Advisory Role in Some Asset Classes: In certain organisations, veto powers may vary by asset class. For example, ODD may have a formal veto right on hedge funds but only an advisory role on private assets.

In summary, practices around formal veto rights are split. Though a majority of respondents have noted the significance that ODD findings play in the decision-making process, with the potential to halt or influence investments indirectly through their assessments and recommendations.

"If your organisation does utilise veto rights, how often are they used?"

Of those survey respondents with veto rights, further questioning revealed the exercise of these rights as an infrequent occurrence, with most (with a formal veto right) noting their use as "rare", or a maximum once per year or less (73%). Some other responses specifically noted issues being escalated prior to the veto at final decision-making/Investment Committee level.

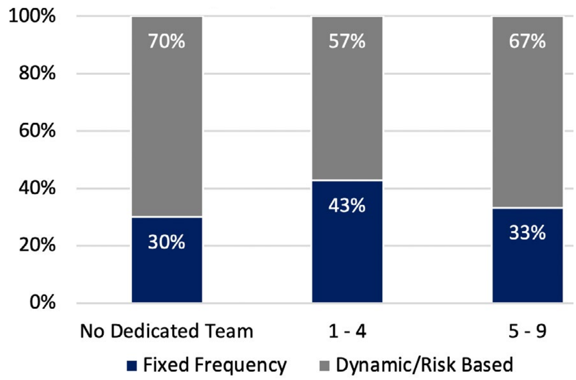
Overall, while ODD functions may have the authority to veto investments, it appears that such powers are seldom used – reflecting either the effectiveness of earlier stage due diligence or a preference for resolving issues without resorting to vetoes.

Ongoing Monitoring and Variance Across Asset Classes

"How frequently do you conduct ongoing monitoring of managers who you are invested with?"

Survey respondents were offered the option of selecting one or more fixed monitoring frequencies in addition to a 'risk-based approach' option. Aggregating individual fixed frequency selections and multi-frequency or risk-based selections, we can see that there is a preference for a dynamic/risk-based approach to monitoring (regardless of team size).

Monitoring Frequencies across Team Sizes



Looking at fixed frequency monitoring in isolation, investors choosing to review or monitor their managers 'less than annually' are a small minority (7%).

The responses may signal a departure from a rigid or inflexible approach to monitoring, which was at one time popular in the industry, towards adoption of a more flexible approach in order to adequately manage workloads and capacity by focusing on outsized risk and exposures.

"Briefly describe any material differences in your organisation's ODD process between either (i) asset classes or (ii) strategies"

This open question drew a wide range of survey responses – indicating that organisations employ different ODD processes depending on the asset class or investment strategy, with a general trend towards a risk-based approach.

- Roughly half of respondents noted a very different approach between liquid strategies and private markets, with variations also based on the size and sophistication of managers.
- Some organisations distinguish their ODD processes between primary investments, co-investments, and secondaries, often with a time-based trigger for conducting follow-on ODD reviews.
- Differences across strategies like equity, systematic/quant, fixed income/credit, and multi-strat are acknowledged, with emphasis on topics most relevant to the strategy. While some report minimal differences other than specific trade flow interests, others recognise gaps in their process for more illiquid investments.
- For private equity/infrastructure, real estate, and other illiquid investments, ODD processes were noted to be often integrated within the investment teams and embedded within the investment due diligence process.
- Some organisations apply different voting/veto processes between asset classes and highlight differences in ongoing monitoring primarily for hedge funds compared to private markets or for follow-up investments. The liquidity of the strategy and whether the assets are housed in open-ended or closed-ended vehicles, also influence the approach taken.
- There is an acknowledgment in some responses that some asset classes, like venture capital, require different methodologies due to lower transparency. For assets with less inherent Straight Through Processing (STP) like OTC, credit, loans, and private equity, additional scrutiny is necessary to ensure control where STP is not available.

In summary, the ODD process across organisations is highly nuanced, with distinctions made based on the liquidity, complexity, and risk profile of the asset classes or strategies involved. There is a strong indication of a tailored, risk-based approach that considers the specific needs of each investment type.

4. Data Gathering Techniques

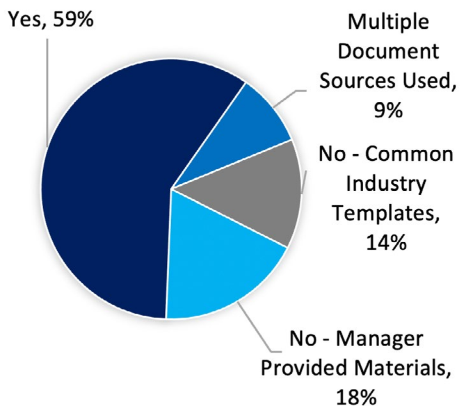
In this section we assess how ODD teams typically gather data from investment managers, including whether that process involves bespoke or standardised due diligence requests. In addition, we assess whether this process has become more standardised or digitised over time with the use of data gathering tools – as historically ODD data gathering has been a manual and time-consuming process (reliant on email, word and excel files).

"Does your organisation utilise its own bespoke DDQ for conducting initial information gathering?"

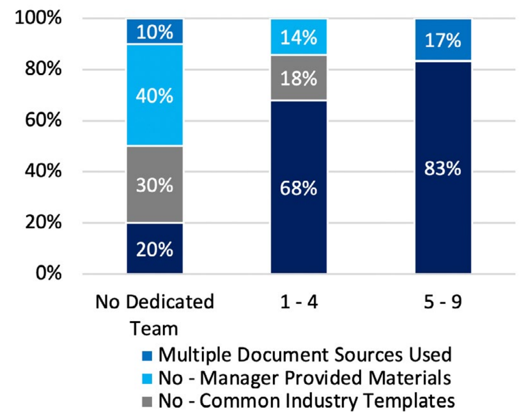
Responses about the use of bespoke Due Diligence Questionnaires (DDQs) for initial information gathering in ODD processes indicate a majority (59%) of respondents use their own bespoke DDQs for initial information gathering.

Some (18%) organisations rely on materials provided by the investment manager or on common industry templates (14%) rather than using bespoke DDQs. This suggests that while many firms prefer to tailor their information gathering to their specific needs, a significant number also utilise standardised materials or rely on information provided by the investment managers themselves. We can see that investors with no dedicated team are likely to utilise a broader range of approaches. As team size increases, the use of bespoke DDQs becomes commonplace – with 83% of large ODD teams using bespoke templates and the remainder using multiple document sources (which may include bespoke templates).

Bespoke DDQ Utilised - Survey Population



Bespoke DDQ Utilised - Team Size Comparison

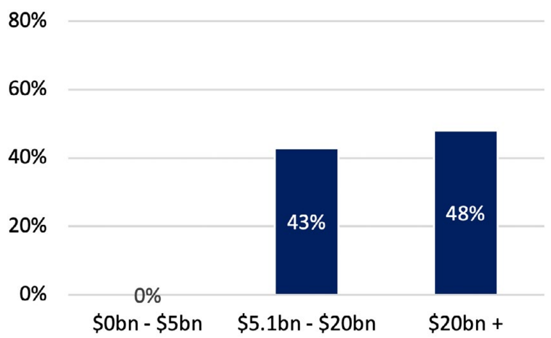


Using bespoke DDQs can offer a more targeted approach to due diligence and potentially provide insights that are more aligned with the firm's particular risk assessment criteria and investment philosophy. Some teams may rely on manager materials or multiple document sources to be able to gather and access information efficiently, particularly if they are under pressure to expedite reviews.

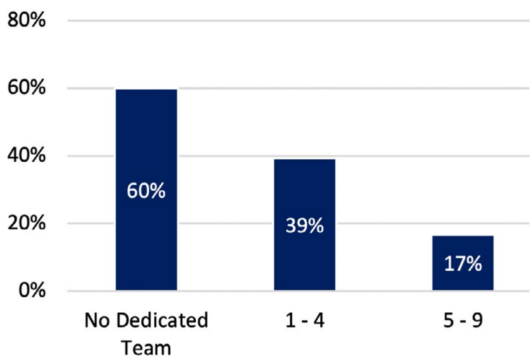
"Does your organisation employ any vendor-based data gathering tools to support the monitoring and oversight of investment managers?"

ODD is notorious for the reliance upon, and proliferation of, word and excel-based questionnaires and information requests. Third-party data tools have emerged, which can leverage internal ODD teams by digitising information gathering and analysis.

Data Gathering Tools Utilised by AUM



Data Gathering Tools Utilised (by Team Size)



The survey results suggest that there is yet to be wholesale adoption of third-party information gathering tools. Some key findings:

- Respondents with the smallest pools of assets ($0bn-$5bn) do not utilise third-party tools.
- Usage of these tools is more common for investors with more than $5bn in AUM, although the majority have not adopted them. Adoption declines as team size increases. This may indicate that some organisations prefer to invest in human rather than technological resources.

5. Challenges & Issues

In this section we overview some of the challenges faced by ODD teams, both externally and internally. We asked some open-ended and probing questions to understand how ODD teams view their role within their organisation. Some of the feedback may be uncomfortable for the industry to digest, but perhaps this may provide an opportune time to discuss how operational risk is overseen, managed, and resourced within institutional investor organisations.

"What are the biggest challenges your ODD function faces within your organisation today?"

The responses indicate a diverse range of operational challenges, from resourcing to technological needs, that reflect the challenge of balancing efficiency and thoroughness in the risk management and due diligence processes.

Resourcing Challenges:

- Increasing deal volumes, complexity of reviews, and an ever-wider array of topics (including ESG, data security,…) result in ever busier schedules.
- Resourcing needs include broadening expertise, tools, and budgets to run better risk management processes, budget for travel for onsite ODD, and getting better access to data.
- Some ODD functions feel they lack attention from senior management, with their role seen more as a formality rather than as a function that truly influences internal decisions.
- Clarity of priorities is another concern, with some ODD teams finding it difficult to manage ESG work streams due to varying degrees of belief in its importance across the organisation.

Lacking Proximity to Managers

For some, geographic location impacts the ability to conduct onsite visits or meet with management, particularly for teams based in Asia and Oceania that deal with managers primarily in North America and Europe, or vice versa.

Regulatory Change

Keeping up with regulations and market developments is challenging in an environment with a heightened pace of change. As an example, the US SEC's Private Fund Adviser Rule will significantly alter the dynamics in the investor-manager relationship.

Data Gathering

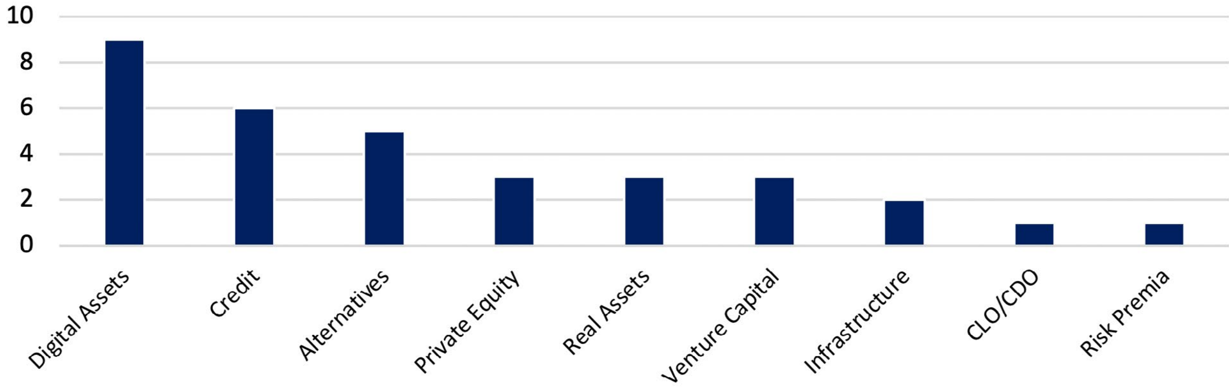
There is a need for improved collaboration and central management of data gathering to allow all relevant teams to access necessary information for monitoring. The increasing level of outsourcing within the industry makes it more difficult to attain good quality information for risk assessments due to less transparency compared to internal functions.

"Which asset class or strategy do you feel your institutional knowledge is the weakest?"

This question was left open ended, so respondents were able to note whatever they felt appropriate. As such, the table should be interpreted accordingly – with the below noting the number of total respondents.

A significant number of respondents identified digital assets and cryptocurrencies as an area where knowledge requires improvement. Similarly, credit was also offered as a popular response. This is not surprising given the interest in institutionalising cryptocurrencies and digital assets for investment purposes, and the general increased levels of interest in private markets

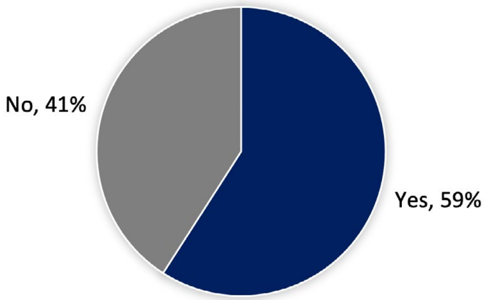
Asset Classes with Weakest Institutional Knowledge



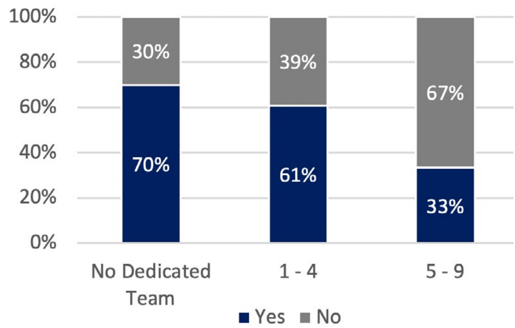
"Do you feel you always have adequate time to conduct and complete an ODD review?"

A majority (59%) of overall survey respondents feel that they do always have enough time to perform an ODD review, while a significant minority (41%) indicate that they do not.

Adequate Time to Perform ODD



Adequate Time to Perform ODD by Team Size



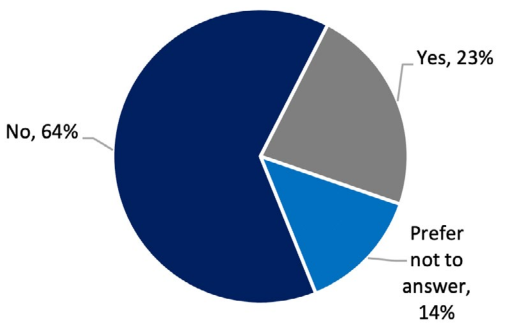
The divide in responses suggests that while some organisations have managed to allocate sufficient time for thorough due diligence, others may face time constraints that could potentially impact the quality or depth of their reviews. The reasons for these constraints are not detailed in the responses, but they could be related to staffing levels, workload, or complexity of the investments under review. We have seen as an example that ODD teams may be given additional responsibilities, such as gathering and analysing ESG/responsible investment-related responses from managers as part of the review process, which can compete for time with the primary goal of analysing operational risk.

The pressure to complete ODD reviews on time appears to be most keenly felt by larger teams who oversee larger pools of assets. This could potentially be due to a larger numbers of allocations to individual managers, or higher expectations in relation to the sophistication and scope of ODD reviews.

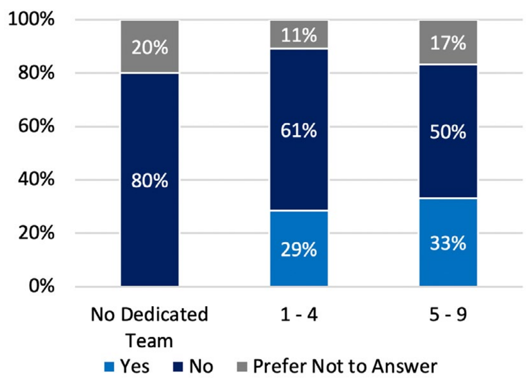
"Have you ever felt under duress or undue influence to 'approve' or 'agree' to an allocation based on the risks identified in your review?"

While a majority of respondents have not felt under duress or undue influence to approve investments, just under a quarter of all respondents have felt pressured to approve to allocations despite the risks identified in their reviews. 1 in 7 of survey respondents chose 'prefer not to answer', which could indicate sensitivity around the topic or a desire to avoid disclosing their experiences (despite anonymity).

Feeling Under Duress/Pressure to 'Approve'



Feeling Under Duress/Pressure to 'Approve'



This data suggests that while many professionals in ODD roles operate without undue pressure to approve allocations, there is a notable proportion that has experienced pressure to approve investments, possibly reflecting internal conflicts or the challenging nature of balancing risk management with business interests.

As team size increases, those answering 'Yes' or 'Prefer not to Answer' both increases, from an aggregated 40% (team sizes of 1 to 4) to 50% (team sizes of 5 to 9). This could potentially suggest that as organisational size increases, ODD teams may find it more challenging to have their voice heard.

"Do you feel that ODD is held in the same regard/has the same influence as other functions within your organisation?"

This section of the survey related to how practitioners view the ODD function's standing and influence within their organisations – which revealed mixed perceptions. While some respondents (48%) affirm that ODD is held in the same regard as other functions within their organisation, a sizeable number (32%) responded no, citing struggles to gain visibility and influence.

Several organisations described ODD as integral, especially when it plays a significant role in risk oversight and covers functions including compliance, investments, enterprise risk, and operations. In such cases, ODD is seen as part of the broader risk management framework and is respected for its contribution to due diligence processes.

However, there are concerns from some respondents about ODD being undervalued, particularly where it is viewed as a 'tick-the-box' exercise or not a P&L-generating function. Instances were mentioned where ODD recommendations or identified risks were overlooked, especially if the decision to proceed with an investment had already been made.

There was also a sentiment that ODD is not always taken as seriously as investment due diligence and that it could be seen to operate in conflict with investment functions. Resource constraints, both in terms of human and technological capacity, were cited as challenges to elevating the function's status within some organisations.

In summary, while ODD is recognised for its importance in certain organisations, it appears to face challenges in others regarding its influence and the resources allocated to it, particularly compared to other functions like investment decision-making.

Conclusion

ODD is an integral part of the investment process and is at the forefront of industry developments – be it regulatory change, new asset classes or approaches, or emerging risks (and opportunities) such as artificial intelligence and more.

As result, ODD functions have had to evolve and become more risk-based and dynamic in the way they assess investment opportunities.

Furthermore, the growth of illiquid asset classes such as private equity[7] and private credit[8] have created additional challenges for ODD practitioners, as has the emergence of digital assets[9], and more.

This broadening scope of responsibilities and required expertise has been keenly felt, and some practitioners report that their ODD functions do not have the resources they need to operate most effectively as revealed in our survey – with some going as far as reporting feeling under pressure or duress to 'approve' investment opportunities despite risks which they do not feel comfortable with.

For management teams at institutional investors, this survey provides insights into how peers are structuring their ODD functions – and it is clear that there is a broad spectrum of approaches. In short, there is no 'right' answer.

These differing approaches can be seen in decisions to resource internally or externally (or a balance between the two), whether to adopt technology to create scalability in lieu of additional human resource, etc. Further, there is a need to discuss the scope of the ODD role and overall expectations within investment organisations, i.e., whether emerging investment considerations such as ESG or Responsible Investment should be the responsibility of IDD, ODD, or a dedicated team in its own right.

The SBAI's ODD Community[10] provides an opportunity for ODD practitioners to network, discuss topics of interest and industry challenges in a safe and open environment. The ODD Community will explore the issues raised in this survey over the course of 2024 and beyond.

Outlook for the Future

This survey has revealed some of the pertinent issues and challenges affecting ODD teams within institutional investors, and the SBAI will seek to survey industry representatives again in the future to build on this. As part of this we will assess if answers to certain questions change over time and whether any new or interesting trends can be identified.

Some considerations for future surveys will include further granularity of data collection to provide better peer-to-peer analysis – such as additional AUM buckets, breakdown by investor type, regional differences, etc.

We look forward to discussing the results of this survey with our Investor Chapter members[11] at our events[12] and with industry partners[13].

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7 The SBAI is exploring valuation practices and disclosures in our Private Market Valuation Working Group, access here: **https://www.sbai.org/group/private-markets-valuation-working-group.html**

8 The SBAI's resources on Alternative Credit including Questionnaires can be accessed here: **https://www.sbai.org/toolbox/alternative-credit.html**

9 The SBAI's guidance on performing ODD on Digital Assets can be accessed here: **https://www.sbai.org/toolbox/digital-assets.html**

10 Additional information on the SBAI's ODD Community can be found here: **https://www.sbai.org/group/operational-due-diligence-community.html**

11 SBAI Investor Chapter membership is for Institutional Investors and Allocators and is comprised of pension and endowment funds, foundations, sovereign wealth funds, funds of hedge funds, private banks, family offices, etc. and currently represents more than $7tn in AUM. Access here: **https://www.sbai.org/investor-chapter.html**

12 To access our global event series, go here: **https://www.sbai.org/events.html**

13 See SBAI Industry Partnerships here: **https://www.sbai.org/improving-industry-outcomes/partnerships.html**

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