

Investment Manager Operational Risk Guidance Note





ASFA has been operating since 1962 as the peak policy, research and advocacy body for Australia's superannuation industry. ASFA represents the APRA regulated superannuation industry with over 100 organisations as members from corporate, industry, retail and public sector funds, and service providers.

We develop policy positions, service standards and practice guidance through collaboration with our diverse membership base and use our deep technical expertise and research capabilities to assist in advancing superannuation and retirement outcomes for Australians.

ASFA Guidance Notes provide clear, practical and authoritative guidance that helps superannuation professionals navigate regulatory complexity with confidence to provide our members with value.

By translating legislation and regulatory expectations into principles-based, real-world guidance, ASFA promotes consistent, well-governed industry practice while respecting the diversity of fund business models. As the trusted voice of the sector, ASFA is uniquely placed to synthesise regulatory intent, industry experience and emerging issues, reducing uncertainty, supporting better decision-making and strengthening outcomes for members across the system.

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CEO Foreword

Mary Delahunty



Strong operational due diligence is an important part of good investment governance. In an environment shaped by increasing complexity, higher community expectations and a sharpened regulatory focus on operational resilience, trustees need confidence not only in investment strategy, but in the operational capability, governance and risk settings that sit behind it.

This publication is intended to support more consistent and practical approaches to ODD across the superannuation sector. It reflects the reality that operational risk is not peripheral to investment decision-making, it is a core part of how trustees protect members' interests, exercise sound judgement and meet their responsibilities.

Importantly, this ASFA Guidance Note is not designed to impose a single model or prescribe a one size fits all approach. Funds differ in scale, structure, investment models and risk appetite. What it does aim to provide is a strong industry reference point: a practical baseline that can support better questions, better informed assessments of investment managers and service providers, and ultimately better practice.

The commencement of APRA's CPS 230 *Operational Risk Management* has reinforced the need for robust operational risk management and clearer oversight of material service providers. For many RSE licensees, that has brought renewed focus to the role of operational due diligence in both manager selection and ongoing oversight. This Guidance Note is intended to help the industry navigate that shift in a way that is pragmatic, proportionate and grounded in better practice.

As with all ASFA guidance, this work has been developed through industry collaboration. It reflects the experience and expertise of funds and service providers who are actively undertaking this work and continuing to evolve their approaches.

I would like to thank everyone who contributed to the formulation of this document. In particular, I would like to acknowledge Jo Leaper from JANA Investment Advisers, Julia Stannard, ASFA's Policy Director, and the ASFA member organisations involved in the working group, whose expertise and willingness to share insights have been central to developing this guidance.

Ultimately, good operational due diligence supports better outcomes for members. It helps trustees make decisions with greater confidence, identify risks earlier, and maintain strong oversight in a changing environment.

ASFA is proud to support the sector in this work, and to continue bringing the industry together to strengthen practice over time.

A handwritten signature in dark ink, appearing to read 'Mary Delahunty'.

Mary Delahunty
ASFA CEO

About ASFA guidance notes

ASFA Guidance Notes are intended to provide Registrable Superannuation Entities (RSEs) and RSE Licensees with information and guidance about ways of doing things that work and benefit members and the superannuation industry.

Guidance Notes recognise that one size does not fit all. They set out better practice gleaned from ideas and experience from those who have undertaken similar activities in related fields.

Each of ASFA's member organisations covers a diverse range of goals, member needs and resources according to which they can adapt the recommendations of this Guidance Note (the GN) to their own particular circumstances.

This GN is intended as a guide only and is not intended to be used as a substitute for professional advice. The Association of Superannuation Funds of Australia Limited expressly disclaims all liability and responsibility to any person who relies, or partially relies, upon anything done, or omitted to be done, by this publication.

This Guidance Note is effective from its date of publication and is intended to be complementary to APRA's SPS and SPG 530 Investment Governance, and CPS and CPG 230 Operational Risk Management.

A.1 Background to this Guidance Note

This GN leverages former industry discussion and collaboration undertaken in producing Australia's first GN for operational due diligence (ODD). It builds on, and replaces, an earlier note developed by a Working Group of RSE representatives for the former Australian Institute of Superannuation Trustees (AIST).

Recognising its benefit to a broad group of industry participants, ASFA has agreed to continue guidance on ODD matters going forward. In doing so, the former AIST GN has been substantially updated by a dedicated Working Group of ASFA member organisations, comprising JANA Investment Advisers, Mercer, IFM Investors, Robeco, NGS Super, Australian Retirement Trust, HESTA, and Gilbert + Tobin.

ASFA acknowledges the work of the former AIST Working Group in establishing the original GN and welcomes the opportunity to adopt and update it to provide continued guidance to the industry.

A.2 Regulatory Requirements

This GN does not seek to repeat or duplicate all relevant legislation or additional standards set by regulatory instruments relevant to investment management ODD. Where they overlap or are inconsistent with this GN, the legislation or regulatory instrument will prevail.

The GN also does not attempt to clarify how obligations imposed by legislation or regulatory instrument work in practice. While this GN recommends practices which may support these obligations, it does not attempt to align or link practices to those obligations.

Nevertheless, some regulatory context is warranted.

- CPS 230 deals specifically with the management of operational risk, meaning there is an intuitive connection between this guidance and CPS 230. However, operational risk management engages other regulatory obligations too and is broader than just ODD in relation to Investment Managers.
- All RSE Licensees are required by superannuation law to exercise care, skill and diligence in connection with their roles. The ODD guidance outlined in this GN will help demonstrate that care, skill and diligence have been exercised, noting that the requirements of that duty are broader than initial and ongoing due diligence.
- All RSEs are also required to adhere to SPS 530 *Investment Governance*, supported by the associated Practice Guide, SPG 530. Paragraph 62 of SPG 530 summarises the view of the Australian Prudential Regulation Authority (APRA) on how SPS 530 is capable of applying to investments and also to Investment Managers. SPG 530, Paragraph 62 (b) outlines APRA's expectations with regards to the use of ODD in the manager selection process.
- Certain APRA Prudential Standards such as CPS 230 and CPS 234 (which are explained further below) impose additional requirements in connection with Material Service Providers engaged by RSE Licensees and these requirements will potentially apply to Investment Managers, as well as to other entities that manage information assets of RSE Licensees. In this regard, note that paragraph 50 of CPS 230 requires RSE Licensees to classify Investment Managers as Material Service Providers (and therefore covered by CPS 230) unless the RSE Licensee can justify otherwise. Aspects of the guidance within this GN will assist with demonstrating compliance with these requirements, noting that these prudential standards also require steps to be taken outside of the ongoing due diligence context.

As such, it is important to understand that this GN is not merely about compliance with CPS 230 and CPS 234, and compliance with those prudential standards requires action that is beyond the scope of this GN.

CPS 230 Operational Risk Management

APRA now routinely assesses RSE processes for managing both investment and operational risk when appointing and monitoring existing Investment Managers/ investing in external products.

Effective 1 July 2025, APRA's CPS 230 *Operational Risk Management* provides updated requirements to RSEs (in addition to other APRA-regulated entities captured under the cross-industry standard) with regards to managing operational risk. CPS 230 seeks to further uplift industry practice, recognising that operational risk is a whole of RSE initiative. ASFA recognises that reference to the outcomes of this GN may support RSE executives' completion of their obligations under the Financial Accountability Regime.

CPS 230 requires RSE Licensees (and certain other asset owners covered by CPS 230) to classify Investment Managers as Material Service Providers (unless they can justify otherwise¹) meaning the RSE Licensee has various obligations to meet additional operational risk management requirements.

- Some of these operational risk management requirements are specifically required to be supported by contractual provisions in the relevant agreement.
- Other operational risk management requirements could potentially be enabled by contractual provisions within the agreement, but this is not mandatory and may be capable of being addressed in the ordinary course of the service provider relationship without contractual provisions.

Some of the operational risk management requirements under CPS 230 go beyond the Investment Manager ODD practices discussed in this GN. To help ASFA members and Investment Managers identified by RSEs / asset owners as material, a supplement to this GN is located in Appendix 1.

RSEs may also wish to reference the ASFA-EY Guidance Note [CPS 230 Material Service Provider Management](#).

A.3 Commencement

The GN is effective from its date of publication. ASFA encourages trustees and interested parties to adopt (where not already in place) the guidance as soon as possible.

The ASFA Working Group will review this GN periodically to ensure it remains relevant and up to date.

¹ CPS 230 Operational Risk Management, para 50





B

Operational due diligence

ODD is defined as “the process of analysing the philosophy, people and processes of the investment manager to ensure that it is able to perform the functions for which it has been appointed”.²

B1. Introduction

ODD reviews are a common way for RSE Licensees to understand the ability of the Investment Manager to adequately deliver on its representations and hence be able to fulfil its intended role in meeting the RSE Licensee’s investment strategy and achieving its investment objectives. Furthermore, Prudential Standard SPS 220 *Risk Management* emphasises the obligation to have an appropriate risk management framework addressing all material risks.

APRA’s Insight, Issue 1, 2018 includes additional context for RSEs and asset owners with regards to owner led versus manager led ODD.

The ODD review can be viewed as a process to identify and rate the operational risks of engaging/retaining an Investment Manager and is one component that forms part of the overall evaluation of an Investment Manager. For example, this GN focuses on operational matters, but an Investment Manager’s historical actual (or, for new managers, synthetic) performance would be relevant inputs into an appointment decision. Similarly, the ongoing monitoring of an Investment Manager’s performance would consider return and risk outcomes, as well as compliance with mandate restrictions and other contractual obligations, which are important aspects that are beyond the scope of the ODD canvassed in this GN.

Importantly, the risks identified through the process should be considered through each RSE’s own risk appetite statement, noting that risks may be deemed reasonable for one RSE and inappropriate for another on this basis, recognising the fundamental role that a risk appetite statement plays in determining appropriate risks based on each RSE’s individual circumstances.

The review undertaken may be sufficient for some RSEs, while other RSEs may choose to perform additional ODD activities to support the Investment Manager appointment decision and/or subsequent review. It is ultimately each individual RSE’s

² APRA Insight No.1 2014



responsibility to determine the acceptable level of risks, and to determine alignment of investment appetite relative to investment and operational risk periodically.

Common reasons and factors why different RSEs may take different views on materiality and the extent of the necessary ODD may include the following:

- the size and materiality of the proposed mandate may be different (in absolute terms or relative to the size of the fund or asset class)
- the type of investment strategy and the RSE's assessment of the materiality of the operational risks associated with the strategy
- differences in the scope of services to be provided (for example, not all Investment Managers will be authorised to transact in derivatives or to manage proxy voting and class action participation, which changes the scope of the relevant ODD)
- the RSE's familiarity with the jurisdictions in which the Investment Manager and its fourth parties operate
- the ease with which the RSE could replace the Investment Manager, for example, by reason of having other comparable Investment Managers already appointed
- the resources available to the RSE to monitor and react to any incidence of issues of the kinds canvassed in this GN
- risk-based judgments on materiality and the extent of the ODD that an RSE Licensee exercising care, skill and diligence would undertake in the circumstances.

This GN provides suggested ODD review criteria that can be applied to a range of investment vehicles and Investment Management Agreements (IMAs) and covers all asset classes, both listed and unlisted. Where deemed practical by the RSE Licensee and Manager, this may be expanded to other structural types. In the same way that each RSE Licensee needs to form a view as to whether it will treat Investment Managers as Material Service Providers (which is the default position under CPS 230 unless the RSE Licensee can justify otherwise), each RSE Licensee should form a view as to whether the requirements of CPS 230 or SPS 530 (or both) apply to investments in pooled vehicles. That said, the statutory duty to exercise care, skill and diligence applies to decisions to enter into IMAs and invest in pooled vehicles.

This GN provides the industry a baseline reference for the ODD. ASFA recognises that the way in which ODD is being completed by RSEs is evolving rapidly and that there is no one 'right' model. Models within the industry range from:

- self-review, where the RSE's in-house teams complete ODD
- combination review, where the RSE utilises in-house teams to complete the ODD, complemented by external provider(s)
- fully outsourced, where the RSE utilises external providers to complete the ODD.

Irrespective of the extent to which the RSE Licensee utilises external providers to carry out the ODD processes, the RSE Licensee is responsible for overseeing the results of those ODD processes and ultimately for forming a view that operational risks have been managed in accordance with CPS 230 having regard to the results of those ODD processes.

Each model therefore requires consideration for how the outcomes of the ODD review are managed internally.

In Australia, it is recognised that an Investment Manager is typically expected to have its own ODD review that is completed by a reputable third party, commissioned by the Investment Manager, which can then be used by the Investment Manager for:

- a. self-improvement; and
- b. providing comfort to current and prospective clients with regard to a standardised set of operational requirements.

Australian investors may also request a non-Australian manager complete a similar review.

This GN recognises that ODD reviews are not audits. Any reliance upon the output from reviews is subject to the legal caveats within each provider's report.

The GN can be used by an RSE to evaluate its external and internal Investment Managers/teams.

A note to Investment Managers: ASFA recognises that Investment Managers are not APRA regulated and therefore not directly regulated by CPS/CPG 230 or SPS/SPG 530, however, certain cohorts of their Australian clients and investors are. In addition, Investment Managers, their clients and prospects have found benefit in the output of ODD reviews. This GN provides a baseline that can be applied globally (including for Australian and ex-Australia Investment Managers) for coverage of key assessment criteria in an ODD review process.

Notwithstanding this, various regions around the globe may have specific nuances and different levels of best practice. A good ODD reviewer will take this into account, while also providing feedback to the manager on what global best practice can look like.

B.2 Guidance Note structure

In recognition of the changing regulatory environment, this GN has been separated into enterprise and investment type categories, to make it easier for Investment Managers and providers to provide more focused information. This structure may also remove duplication in annual processes where no change has occurred and this can be attested to by the Investment Manager.

Topics are addressed in this GN as follows:

Topic	Enterprise level	Listed asset classes/ pooled funds	Unlisted assets, including pooled funds, real assets, private markets etc
	GN section	GN section	GN section
Organisational Governance	C.1		
Personnel	C.2		
Governance	C.3		
Trading and operations		C.4	C.5
Valuations		C.7	C.6, C.7
IT Systems and Security	C.8		
Business Continuity and Disaster Recovery	C.9		
Service Provider Oversight	C.10		
Environmental Social and Corporate Governance		C.11	C.11
CPS230	Appendix 1		

Reviewers should use their skilled judgement in determining which non-enterprise discussion questions are required.

Specific recognition has been paid to areas which face into both the enterprise/ corporate and the strategy level of an Investment Manager. As an example, the corporate behaviour regarding ESG is of interest, as is how a client's ESG choices are implemented in a specific strategy. This also applies to data, and in some cases, to service provider oversight. These principles may change in time as updated practices and requirements emerge. The process to develop the ODD Report will require consideration of each of the above areas. This approach has been developed to streamline the ODD review process. However, any RSE reserves the right to undertake their own ODD of Investment Managers and the provision of an ODD Report to an existing or prospective client should not preclude this from happening. Ultimately RSEs will wish to manage their operational risk prudently whilst doing so in the most economic and efficient manner.

Private Company assets, including investment directly into a non-trading company (such as a Pty Ltd)

For the avoidance of doubt, these guidelines are focused on operational aspects of Investment Managers as a service provider (provider of investment management services) to an RSE. They are not intended to apply in instances where there is a direct investment into an entity, although some aspects of ODD would be considered as part of the investment and financial due diligence of the entity being invested into.

Crypto and associated asset types

These guidelines are not designed to specifically cover crypto currency and digital assets at this stage, noting that RSEs are not necessarily prohibited from investing in these assets. The content of this GN can be used to complete ODD over these asset types as relevant, noting that RSEs and asset owners should complete additional due diligence should this be required to satisfy their risk and due diligence requirements. Investments in these assets potentially raise idiosyncratic legal and operational issues, including in relation to whether RSE Licensees have power to make these investments or to authorise others to make these investments in their behalf. Those issues should be considered in relevant circumstances, but are beyond the scope of this GN.

B.3 Investment Manager ODD Review Process

The ODD review process should be conducted by an appropriately qualified and experienced professional/ODD Provider that is independent of the Investment Manager and has the appropriate skills to provide a meaningful, qualitative and quantitative report. As noted in Section B.1, ASFA recognises that this reviewer may potentially be an in-house team or an external provider.

APRA expects that any RSE relying on the ODD conducted will need to be satisfied of the skill and independence of the professionals conducting the ODD review.

ASFA recognises providers of ODD services may also provide other services to Investment Managers, their clients and prospective clients which may create actual or perceived conflicts. ASFA encourages Investment Managers using such firms to ensure there are appropriate safeguards in place to manage the risks associated with actual or perceived conflicts, such as sufficient segregation of duties and reporting lines.

It is expected that all potential conflicts of interest are disclosed by a third party conducting an ODD review. This disclosure should include other existing relationships between the third party and the Investment Manager subject to the review, including professional relationships. The degree of disclosure within the report is at the discretion of the independent reviewer.

A key objective of an ODD review is to be a (peer relative) risk assessment as opposed to an audit or compliance type review.

APRA has been clear in its communication with RSEs that the risk culture within an investment management organisation is highly important, particularly when it is a material outsourced third party provider. That is, this is not a 'tick the box' exercise and it is expected that the ODD Provider expresses an independent view of the Investment Manager's policies and practices in its assessment of the Investment Manager's operational risk profile. ASFA expects that the ODD review process should include a mix of desktop policy reviews, questionnaires and detailed on-site due diligence.

ASFA notes that an ODD Report is not a proxy or replacement for a GS 007 report or any such other 'audit' report, nor is a GS 007 report an alternative to an ODD review – rather the two reports are complementary.

Good practice is for the responsibility of the ODD review to be overseen by an experienced, independent team within the RSE who is not aligned to the selection and management of the Investment Manager – that is, to ensure an objective assessment can be made that is independent from the investment decision and to demonstrate appropriate segregation of duties.

The receipt of an ODD Report does not exonerate the RSE Licensee of the obligation and responsibility to ensure that operational risk is identified, assessed, and managed within the RSE's risk management framework (RMF); the ODD Report is an input and part of the information used by the RSE Licensee to manage its operational risk in line with the RSE's overall risk appetite.

B.4 Outcome of the Investment Manager ODD Review Process

The use of prior versions of this GN has created a consistent, streamlined process which will help RSE Licensees assess operational and associated risks when monitoring/deciding on the appointment of/ongoing investment in an Investment Manager. Investment Managers choosing to support their current and prospective clients, including APRA-regulated clients, can assist by asking providers of ODD services to use this GN as the basis for review.

ASFA's preferred outcome of the ODD review process is for the ODD Provider to prepare an ODD Report which outlines any Operational Risk(s) to be considered when deciding to appoint/retain an Investment Manager specific to defined investment strategies. ASFA acknowledges that there may be variation in the Report which will depend on the ODD Provider chosen to conduct the ODD review. The ODD Report will be provided to the Investment Manager by the ODD Provider, and, in turn to existing and prospective clients on request, as well as their service providers.

While ASFA cannot impose a requirement upon Investment Managers with regards to the use of the output from an ODD Report, it is anticipated that the Manager will benefit from the information within it. As an example:

- a peer relative risk lens
- feedback into its business processes with a view to improvement where inefficiencies or risks have been highlighted
- integration into risk processes and improvement
- the ability to use the document with current and prospective clients regardless of whether the asset owner is regulated by APRA or based in Australia.

As part of the prudent oversight of Investment Managers, RSEs should carry out ongoing due diligence to the extent considered necessary to remain satisfied with the management of operational risks in connection with, and by, the Investment Manager.

Typically, RSEs will receive the following under the terms of their investment management agreements in the ordinary course of business:

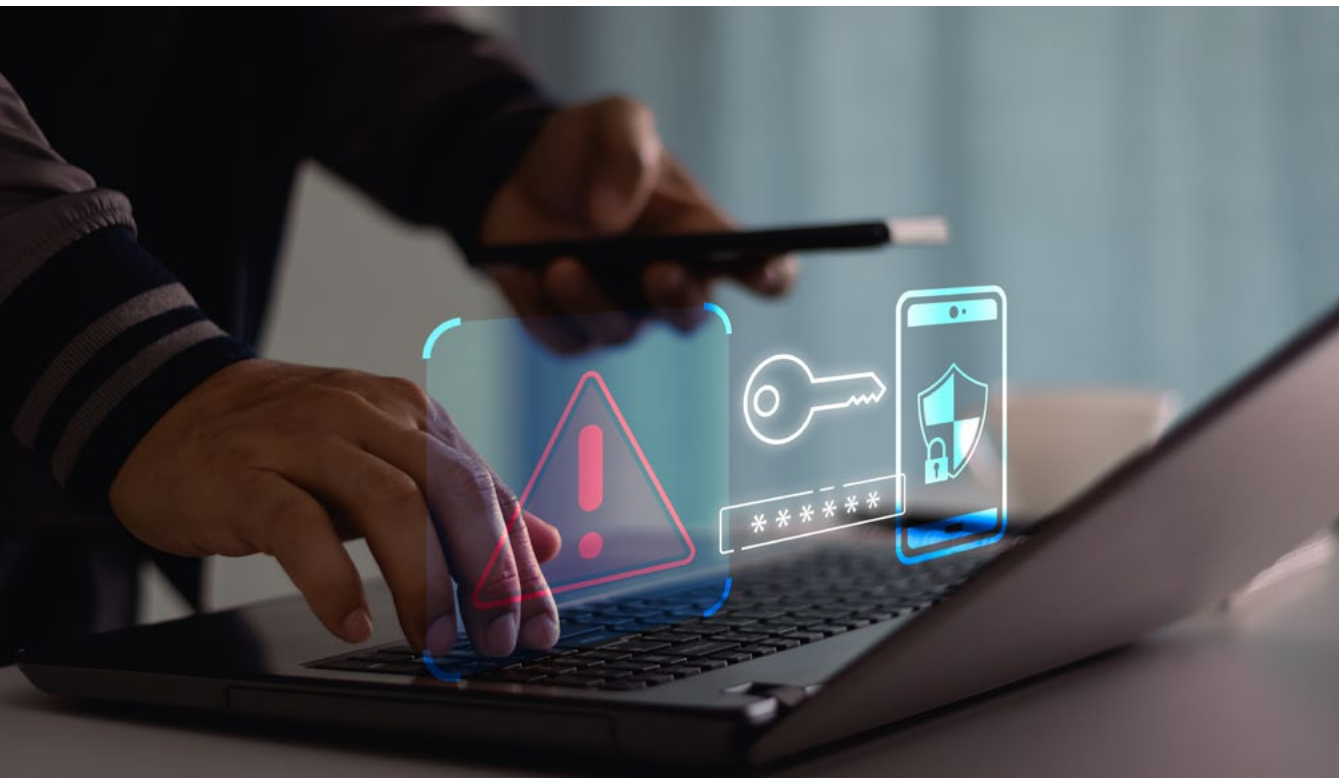
- breaches of the mandate
- details of regulatory investigations
- changes in key personnel
- changes in ownership or organisation structure
- annual insurance certificates of currency
- annual GS 007 (or equivalent) report

- annual BCP test certificate or results summary
- annual Information security assurance reports.

These are important parts of ongoing ODD. Judgement can be exercised in determining the extent of any additional information that should be obtained and the frequency for seeking that information. RSEs may take into account materiality, manager-specific concerns, industry thematics and other risk-based considerations in exercising their judgement to conduct additional due diligence at any point during the relationship.

Best practice would typically include annual on-site meetings (or video conferences) with Investment Managers to discuss significant changes concerning the manager, their business and their procedures which can form part of ongoing ODD and may identify areas requiring further due diligence. In cases where an existing Investment Manager is appointed to manage an additional mandate, consideration should be given to any ODD topics that are relevant to the proposed new mandate which may not have been previously considered.

ASFA recognises that there are a range of approaches and timelines that RSEs will consider appropriate for review, for example, from annual review by self or third party, through to self or third party review of documentation or manager supplied review. RSEs also often utilise these methods in conjunction with additional review. Annual reviews by Investment Managers are encouraged, noting that the requirements of RSEs will vary based on their own risk categorisation, and may include increased frequency of review due to situational changes (regulatory change, changes in risk assessment etc as examples).



C.1 Organisational structure and ownership – corporate/enterprise

Objective: To review and assess the organisation's structure and whether any risks have been identified leading to concern that the structure cannot support the investment management process. Specifically focus on the existence of a robust risk culture across the Investment Manager's entire organisation.

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<p>Corporate structure</p> <ul style="list-style-type: none"> Legal structure (including any subsidiaries/related parties and their relation to the Investment Manager) Ownership, equity and controlling interest (plus remuneration structure for equity holders) Affiliated businesses and ultimate owner of the Investment Manager and any conflicts Board and Committee structures 	<ul style="list-style-type: none"> A copy of an Australian Financial Services Licence, or relevant certificate of incorporation, local registrations, etc Equity shareholder agreements (if available) Charter/Terms of Reference 	<ul style="list-style-type: none"> Ensure the ownership and legal structure is reasonably appropriate for the entity's business model The organisational structure and staffing are appropriate, including operational support for the investment strategies and assets under management Identify any issues in the business that may lead to a weakness in the ability of the organisation to provide appropriate operational support to the investment decision making Evidence demonstrating clearly defined roles and responsibilities 	<ul style="list-style-type: none"> A clear organisational structure diagram is maintained and provided Boards and Board Committees include independent representation Boards, Board Committees and Management Committees are governed by formal Charters and hold regular meetings, which have minutes Clear reporting structure from Management to Boards and Board Committees, ensuring clear segregation and independence Consideration to skills matrices and DEI (diversity, equity, inclusion) in structures at senior levels
<ul style="list-style-type: none"> Financial stability Business strategy (including any future business developments), additional office locations 	<ul style="list-style-type: none"> Review audited financial statements (for the past three years, and thereafter annually) If appropriate, request a Letter of Comfort from the manager's auditor regarding the financial stability of the entity or provision of the audit management letter Copy of the AFSL or appropriate licence Form ADV or similar 	<ul style="list-style-type: none"> Reference to growth in assets under management (AUM), and any overall capacity issues, including client numbers, concentration and risks relevant to the business Viability as an ongoing concern, profitability and operating above break-even considerations 	<ul style="list-style-type: none"> The firm is financially stable to operate as a going concern. Where there has been a material drop in AUM (over 20% in the last year), the firm has sufficient capital resources to cover its cost base The firm's investors base (in terms of investor concentration and investor type) is diversified The firm has a formal budgeting process and senior management monitors ongoing income and expenditure against budgets

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Insurance coverage 	<ul style="list-style-type: none"> Copies of certificates of currency and limits 	<ul style="list-style-type: none"> The Investment Manager has professional indemnity, electronic and computer crime insurance coverage with copies of certificates of currency provided, including how cyber insurance has been considered Adequacy of insurance coverage, renewal cycle and frequency of review. The level of insurance cover and any key exclusions or non-standard terms should be noted, including self-insurance in terms of the manager's approach and controls to ensure adequacy Volume and types of insurance claims, historically and any outstanding 	<ul style="list-style-type: none"> Relative adequacy of insurance coverage is generally appropriate in comparison to other peers of a similar size, structure and complexity Annual review cycle of insurance coverage
<ul style="list-style-type: none"> Investment governance for non-listed investments 	<ul style="list-style-type: none"> Review appropriate fund documentation/information memorandum etc Expense allocation policies Fund financials (where relevant) 		

C.2 Personnel - corporate/enterprise

Objective: To assess in its entirety the Investment Manager's personnel policies and be assured that it is able to attract, train and retain appropriately skilled staff consistent with the culture and philosophy of the organisation.

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<p>Organisation, resourcing, and culture</p> <ul style="list-style-type: none"> • Succession planning • Organisational chart • HR team structure • Turnover • Diversity, equity and inclusion (DEI) • Leave and working arrangements 	<ul style="list-style-type: none"> • Succession plans • Roles and responsibilities for employees • DEI policy • Whistleblower policy • Bullying, discrimination and harassment policy • Code of conduct/ethics • Employee engagement surveys 	<ul style="list-style-type: none"> • Formal succession planning process, reviewed regularly • Document equity succession planning procedures • An assessment of the capability and numbers of key staff in operational areas • Turnover of employees in investment and non-investment teams + causes of the turnover • What initiatives are in place to improve diversity, equity and inclusion within the workplace • Analysis of employee engagement score and establishment of an action plan • Understanding the process for anonymous reporting, investigation and management of harassment, bullying, discrimination and/or workplace violence • Attestation of code of conduct and ethics requirements (or similar), including behavioural and cultural 	<ul style="list-style-type: none"> • Documented functional succession plans for key executives and other employees which is reviewed on a periodic basis • Provisions in place for the firm to buy back equity from key stakeholders upon their departure from the business • Flexible working arrangements are formalised • Leave arrangements are formalised and require employees to take a minimum number of consecutive leave days every year • Formal DEI policy, with programs and practices embedded within the organisation, with accountability for DEI • A formal whistleblowing policy, with an external whistle blowing hotline and regular reporting to the board

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<p>Remuneration and performance management</p> <ul style="list-style-type: none"> • Compensation and incentive process • Long- and short-term incentives • Performance management 	<ul style="list-style-type: none"> • Performance management policy 	<ul style="list-style-type: none"> • Frequency of performance reviews and whether there is a formal process for objective setting, and review of objectives • Assessment of compensation and whether there is a process to benchmark with the industry • Assessment of the split between short-term and long-term incentives for executives, investment and non-investment teams • Assessment of any long-term incentive and carry programs 	<ul style="list-style-type: none"> • Formal annual or semi-annual performance reviews conducted by line managers with reference to set Key Performance Indicators (KPIs) that comprise of a mix of qualitative and quantitative elements KPIs may include contributions towards achieving the company's ESG target and risk culture • Reasonable vesting periods for long term incentives • Employees are assessed against financial and non-financial objectives • Carried interest contributions should be on a whole fund basis
<p>Training and development</p> <ul style="list-style-type: none"> • Training for new and existing staff 	<ul style="list-style-type: none"> • Training policy 	<ul style="list-style-type: none"> • Assessment of mandatory training for new employees and for employees on an ongoing basis • Policies and programs in place to assist with the development of employees 	<ul style="list-style-type: none"> • Additional development and learning opportunities available to staff to upskill, for example opportunities to attend conferences and pursue higher education (such as the CFA program) and continuing professional development • Regular training on HR and compliance policies
<p>Recruiting and background checks</p> <ul style="list-style-type: none"> • Recruitment process • Background checks 	<ul style="list-style-type: none"> • Recruitment policy 	<ul style="list-style-type: none"> • Process for recruiting new employees • Background checks for new and existing employees 	<ul style="list-style-type: none"> • Formal process for recruitment of employees • Comprehensive background checks prior to employment and on an ongoing basis (subject to legal jurisdiction)

C.3 Governance – corporate/enterprise

Objective: Assess the appropriateness of the governance, risk and compliance frameworks to drive effective decision making and to ensure that all associated risk and compliance practices are adequate with the relevant risks captured, monitored, and reported to management/committee/board levels appropriately to promote a proactive risk culture.

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Governance framework Reporting lines 	<ul style="list-style-type: none"> Governance frameworks/policies 	<ul style="list-style-type: none"> The organisational structure reinforces effective oversight with an independent governing body and appropriate sub-committees There are adequate processes and protocols in place to provide information to senior management and the governing body allowing them to make effective decisions The organisational structure promotes clear segregation of duties between investment, operational, and control functions Jurisdictionally appropriate control departments (internal audit, risk control, and compliance) have reporting lines (direct and indirect) that demonstrate independence from the business 	<ul style="list-style-type: none"> Maintenance and regular review of formal governance frameworks/policies
<ul style="list-style-type: none"> Board and Committee structures 	<ul style="list-style-type: none"> Terms of Reference Board charters Meeting minutes 	<ul style="list-style-type: none"> The governing body and committees have clearly defined and documented responsibilities, authorities, delegations, membership, and controls Clear reporting structure from management to Boards and Board Committees, ensuring clear segregation and independence 	<ul style="list-style-type: none"> Boards, Board Committees and Management Committees are governed by formal Charters and hold regular meetings, which have minutes Boards and Board Committees include independent Directors with a diverse range of background and skillset. Good practice is to have independent representation on Boards and Board Committees Demonstrable understanding of the differences between risk and compliance and appropriate practices for both Regular review of policies

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
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- Risk culture

- Risk Appetite Statement
- Risk management framework (RMF)
- Compliance framework/plan

- Alignment of corporate risk culture
- Top-down ownership and accountability of risk culture, and its level of permeation through the business, including support from senior management
- Transparency demonstrated by the business in responding to operational due diligence
- Assessment of the RMF and its alignment to the industry enterprise risk frameworks

- Maintenance and regular review of a formal RMF and a compliance framework
- Good practice is for such frameworks to outline a clear Board risk appetite statement, key risk indicators, a clear risk management strategy, a clear conflicts of interest policy and a compliance programme, that incorporates periodic testing
- At a minimum, the RMF should address the following risks: operational, reputational, strategic, compliance, liquidity, investment, benchmark, capacity, geopolitical, offshoring and counterparty
- Evidence of clear ownership and accountability for risk management at the Board/Committee levels, demonstrated through proactive oversight of the RMF and regular monitoring of risk registers
- Implementation of the 3-lines-of-defence model and a clear reporting and oversight structure
- CRO or equivalent reporting directly into CEO and Risk Committee. Appropriately experienced compliance, risk and internal audit personnel
- The firm has been transparent and has provided an adequate amount of information
- The firm has demonstrated a willingness to address any risk concerns raised in response to ODD
- Regular risk culture surveys are conducted, and actions are taken

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Risk management 	<ul style="list-style-type: none"> Risk registers Reporting to Boards/Committees 	<ul style="list-style-type: none"> Evidence of assessment of risks, with formal reporting to Committee and Boards Risk registers cover all key areas of operational risks and are regularly reviewed and updated 	<ul style="list-style-type: none"> Good practice is to have risk management as a standing agenda item and regular reporting at Board meetings Risks are identified, assessed, and managed appropriately and on a timely basis. Regular review of risk related registers and assessment of risks within the business units and emerging risks Regular risk culture surveys are conducted, and participation rates are indicative of a strong risk culture Identify any risks that the Investment Manager is not adequately acknowledging or addressing

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Breach reporting 	<ul style="list-style-type: none"> Breaches and incidents policy and register 	<ul style="list-style-type: none"> Sighting breaches/incidents registers Breaches and incidents policy outlines how incidents are identified, reported and managed, both internally and externally 	<ul style="list-style-type: none"> Breaches/incidents are appropriately identified, managed and reported to the appropriate levels of management A process is in place to ensure that incidents with recurring root causes are identified and rectified on a timely basis
<ul style="list-style-type: none"> Internal/external Audit 	<ul style="list-style-type: none"> Independent internal controls report (for example, GS 007 or equivalent) 	<ul style="list-style-type: none"> Internal controls report (including IT equivalent) is performed by an appropriately qualified party Review of approach for internal audit plan 	<ul style="list-style-type: none"> Dedicated internal audit team (either in-house or outsourced) is established to perform regular audit reviews based on a formal internal audit plan across all areas of the business and geographical locations A risk-based approach is used to determine the internal audit plan Internal audit team reports directly to the Audit Committee Independent internal control audit opinions are unqualified. Where issues have been identified in the independent internal controls report, management have an appropriate and timely remediation

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
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- Compliance

- Compliance plan and frameworks
- Reporting to Boards/Committees

- Ascertain the attitude on the application of the various company policies. Ensure staff understand the content and rationale of the policies. Verify the content contained within the policies is part of the entity's operations
- Assess the process for how the Investment Manager ensures they comply with relevant laws and regulations within its jurisdiction
- Assess the process for identification, assessment and management of new regulatory changes
- Check whether the Investment Manager has any previous or current issues with its regulator of which the RSE should be aware. Is all statutory reporting and taxation lodgement up to date by the Investment Manager
- Check the Investment Manager is aware of the legislative environment within which it and the relevant RSE operates

- Maintenance of a governance, risk and compliance system as a tool to centrally manage and capture risks, controls, compliance attestations and governance registers such as incidents, breaches, and conflicts of interest, including identification. Any compliance breaches are identified and managed on a timely basis
- No regulatory breaches or license restrictions
- Compliance frameworks and plans are reviewed and audited independently on a periodic basis
- Consistent and robust process for identification and implementation of new or updated regulatory obligations in all of the jurisdictions which the Investment Manager operates in
- Investment Manager has appropriate licences in its operating locations
- Regular attestations of conduct/compliance
- Regular staff compliance training

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Conflicts of interest 	<ul style="list-style-type: none"> Conflicts of interest policy 	<ul style="list-style-type: none"> Conflicts of interest policy (including related party management) and details of how conflicts are mitigated, monitored, reported, and managed 	<ul style="list-style-type: none"> Conflicts of interests (including personal trades, gifts and entertainment) are appropriately identified, reported and managed
<ul style="list-style-type: none"> Code of conduct/corporate behaviour 	<ul style="list-style-type: none"> Personal trading policy Gifts and entertainment Policy Material non-public information 	<ul style="list-style-type: none"> Personal trading and gifts and entertainment policies include appropriate controls to ensure that conflicts of interest are appropriately identified, managed, reported, and mitigated Gift and hospitality policy with a gift/benefit register and details including any limits and pre-clearances and what would cause a breach Assess whether there are any potential or actual information barriers within the entity Use of approved expert network 	<ul style="list-style-type: none"> Personal trading policy includes a minimum holding period, management of restricted lists, and regular oversight of personal trades. Appropriate limits and aggregate limits are set for gifts and entertainment with approvals and oversight by the compliance team Regular compliance team oversight of expert network meetings Periodic chaperoning or monitoring of expert network meetings by compliance team

C.4 Trading processes and operational functions - listed asset classes and pooled funds

Objective: To ensure the Investment Manager has appropriate trading policies and systems in place relative to the asset class, specifically addressing transparency, robustness, segregation of duties and effectiveness and is able to implement the strategy as it has been communicated. Assess the quality of existing reporting, its timeliness and compliance with regulatory requirements as appropriate

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Best execution, brokers and counterparties 	<ul style="list-style-type: none"> Best execution policy Brokerage policy Counterparty management policy Currency/FX policy 	<ul style="list-style-type: none"> Process for overseeing counterparties ISDA agreements in place Currency management processes documented and subject to trading controls 	<ul style="list-style-type: none"> Due diligence conducted on brokers prior to appointment and ongoing Appropriate segregation between the dealers and the approval of brokers A committee approves a broker to the panel. Formal review of the approved broker panel performed regularly Evidence of multiple quotes being obtained for fixed income trades (to support best execution monitoring) or reasoning why they were not obtained ISDA agreements with CSAs in place with counterparties. Key terms (such as, NAV floors and ATEs) of the ISDA agreements are subject to periodic review and broadly consistent Formal counterparty risk monitoring and reporting Independent or non-investment team oversight of transaction cost analysis

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Trading processes Trade execution Trade allocation Trading systems used 	<ul style="list-style-type: none"> Trading and allocation policy Cross trading policy Soft dollar policy Trade error policy Derivatives risk policy 	<ul style="list-style-type: none"> Segregation of roles and responsibilities between front office, middle office and back office Independent transaction cost analysis Process for trade allocation Process for trade cancellations Processes that are manual vs systemised Demonstration of independent oversight for cross trading and non-standard trading as well as related party engagement Collateral management procedures Derivative reporting processes 	<ul style="list-style-type: none"> Transactions are independent verified and there are appropriate processes to ensure transparency and role segregation Formalised policies and procedures for key trading and operational processes Appropriate segregation between order entry, trade execution, trade management, trade settlement and investment compliance Evidence of review of trade allocation for fairness Formal process for allocations, and non-standard allocations are overseen by a non-investment team Documented maker-checker reviews for manual processes
<ul style="list-style-type: none"> Mandate compliance 	<ul style="list-style-type: none"> Investment compliance policy 	<ul style="list-style-type: none"> Process for inputting guidelines (hard and soft) to the system Percentage of manual vs systematised guidelines Process for managing pre and post trade compliance alerts Frequency of reconciling trade guidelines with the mandate Process for managing trading and investment compliance breaches 	<ul style="list-style-type: none"> Guidelines are input by a team outside the investment team and subject to periodic review and sign off Majority or all guidelines are within the system Investment team are prevented from overriding hard coded guidelines Investment compliance team review and investigate post trade compliance breaches Trading and investment compliance breaches are recorded and managed by the risk and compliance team. Mitigating actions are implemented to prevent re-occurrence Clients and investors are made whole where the error has caused a negative impact. Any gains are retained by the client Regular reconciliation of rules to mandates

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> • Back office • Confirmation • Settlement • Reconciliation 		<ul style="list-style-type: none"> • Process for communicating trades to the custodian • Cash management processes and controls • Processes that are manual vs systemised • Process and frequency of reconciliations 	<ul style="list-style-type: none"> • Cash and stock reconciliations are performed on a daily basis (or commensurate with the liquidity of the portfolio) with exceptions investigated and rectified on a timely basis • There is a four-eye check process for reconciliations • Appropriate delegations
<ul style="list-style-type: none"> • Proxy voting and corporate actions 	<ul style="list-style-type: none"> • Proxy voting policy • Corporate actions policy 	<ul style="list-style-type: none"> • Review the corporate action and proxy voting policies and details of the Investment Manager's default position in the absence of instructions from the asset owner • Provision of corporate action data and recommendations (subject to mandate) 	<ul style="list-style-type: none"> • Challenge and discussion within the manager prior to voting against provider policies • Reconciliation of votes vs direction of client (pooled) where possible • Engagement with underlying assets (where requested in the mandate)
<ul style="list-style-type: none"> • Reporting 	<ul style="list-style-type: none"> • Policies/process materials documenting reporting requirements by client/type • Proxy reporting • Regulatory and breach reporting 	<ul style="list-style-type: none"> • Differences between mandate/unlisted reports and breaches • Automatic generation of reports 	<ul style="list-style-type: none"> • Clear reports delivered via portal • Oversight and review, independent of the investment function • Reporting system automated with limited manual intervention • Reports process audited by an independent party

C.5 Trading processes and operational functions – real asset classes and pooled funds

Objective: To ensure the Investment Manager has appropriate trading policies and systems in place relative to the asset class, specifically addressing transparency, robustness, segregation of duties and effectiveness and is able to implement the strategy as it has been communicated. Assess the quality of existing reporting, its timeliness and compliance with regulatory requirements as appropriate

This section may need to be adjusted by the reviewer to appropriately review the specific strategy (real assets may not have counterparties, some unlisted assets/closed assets will).

Scope	Examples of policy/ documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Investment governance for non-listed investments 	<ul style="list-style-type: none"> Review appropriate fund documentation/information memorandum etc Expense allocation policies Fund financials (where relevant) 	<ul style="list-style-type: none"> Expense allocations are appropriately managed within a policy and periodically audited 	<ul style="list-style-type: none"> Business and corporate expenses are not charged back to investors Reasonable costs charged back to investors are appropriately defined and overseen Transparency of fees, including management fees and expenses paid for by the client/ investment vehicle
<ul style="list-style-type: none"> Best execution and counterparties 	<ul style="list-style-type: none"> Broker execution policy Counterparty management policy Currency/FX policy 	<ul style="list-style-type: none"> Process for overseeing counterparties ISDA agreements in place Currency management processes documented and subject to trading controls 	<ul style="list-style-type: none"> Due diligence conducted on brokers prior to appointment and on a regular basis Appropriate segregation between the dealers and the approval of brokers A committee approves a broker to the panel. Formal review of the approved broker panel performed regularly Evidence of multiple quotes being obtained for fixed income trades (to support best execution monitoring) or supporting commentary as to why multiple quotes weren't obtained ISDA agreements with CSAs in place with counterparties. Key terms (such as, NAV floors and ATEs) of the ISDA agreements are subject to periodic review and broadly consistent, where possible Formal counterparty risk monitoring + reporting

Scope	Examples of policy/ documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Deal processes Deal execution Deal allocation Systems/models used 	<ul style="list-style-type: none"> Deal allocation policy Cross trading policy Trade error policy Derivatives risk policy 	<ul style="list-style-type: none"> Segregation of roles and responsibilities between front office, middle office and back office Process for deal allocation Processes that are manual vs systemised Demonstration of independent oversight for cross trading and non-standard trading as well as related party engagement Collateral management procedures Derivative reporting processes 	<ul style="list-style-type: none"> Transactions independently verified and there appropriately processed to ensure transparency and role segregation Formalised policies and procedures for key dealing and operational processes Appropriate segregation of duties Evidence of review of trade allocation for fairness Formal process for allocations, and non-standard allocations are overseen by a non-investment team Documented maker-checker reviews for manual processes Robust cross trade management with non-investment oversight
<ul style="list-style-type: none"> Fund/vehicle Compliance 	<ul style="list-style-type: none"> Investment compliance policy 	<ul style="list-style-type: none"> Process for inputting guidelines (hard and soft) to the system and appropriate oversight of whole of fund limits Percentage of manual vs systemised guidelines Process for managing investment compliance breaches 	<ul style="list-style-type: none"> Guidelines are input by a team outside the investment team and subject to periodic review and sign off Majority or all guidelines are within the system and automated where possible Investment team are prevented from overriding hard coded guidelines Investment compliance team review and investigate post trade compliance breaches Trading and investment compliance breaches are recorded and managed by the risk and compliance team. Mitigating actions are implemented to prevent re-occurrence Clients and investors are made whole where the error has caused a negative impact. Any gains are retained Regular reconciliation of rules to mandates

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> • Back office • Confirmation • Settlement • Reconciliation 		<ul style="list-style-type: none"> • Process for communicating trades to the custodian/administrator etc (as appropriate) • Cash management processes and controls • Processes that are manual vs systemised. • Process and frequency of reconciliations 	<ul style="list-style-type: none"> • Reconciliations are performed on a daily basis (or commensurate with the liquidity of the portfolio) with exceptions investigated and rectified on a timely basis • There is a four-eye check process for reconciliations • Appropriate delegations have been set up
<ul style="list-style-type: none"> • Proxy voting and class actions (fund, may not apply for closed end/real assets) 	<ul style="list-style-type: none"> • Proxy voting policy • Class actions policy 	<ul style="list-style-type: none"> • Review the class action and proxy voting policies and details of the Investment Manager's default position in the absence of instructions from the asset owner • Provision of class action data and recommendations (subject to mandate) 	<ul style="list-style-type: none"> • Challenge and discussion within the manager prior to voting against provider policies • Reconciliation of votes vs direction of client (pooled) where possible • Engagement with underlying assets (where requested in the mandate), including related parties as appropriate
<ul style="list-style-type: none"> • Reporting 	<ul style="list-style-type: none"> • Policies/process materials documenting reporting requirements by client/type • Proxy reporting • Regulatory and breach reporting 	<ul style="list-style-type: none"> • Automatic generation of reports 	<ul style="list-style-type: none"> • Clear reports delivered via portal • Oversight and review, independent of the investment function • Reporting system automated with limited manual intervention • Reports process audited by an independent party

C.6 Valuations – unlisted assets, including pooled funds, real assets, private markets etc

Objective: To highlight some additional considerations when assessing valuation practices for unlisted assets, including pooled funds, real assets, private markets etc. To be read in conjunction with section C.7 Valuations – all

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Private equity 	<ul style="list-style-type: none"> Valuation policy 	<ul style="list-style-type: none"> The stage of the private equity assets under review may drive the valuation (for example, ESVC versus late stage) What valuation methodology is being utilised (DCF, market multiples, etc) Are different methodologies being utilised for different assets? Does the firm perform back testing to compare transaction prices and exit pricing against prior valuations? Frequency of valuations 	<ul style="list-style-type: none"> Valuations comply with relevant fair value measurement accounting standards, for example AASB 13/ IFRS 13 /ASC820 Valuation practices align to industry standard guidelines (for example, IPEV, IVSC) Consistent application of the Valuation Policy and documented exceptions Valuation governance includes review and approval from non-investment and non-conflicted staff/ committees There is formal sign off and LP approval for changing the valuation methodology of an asset Regular valuations, at least quarterly, based on timely information and with capacity to update more frequently if required out of the normal cycle External independent valuations

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Private credit 	<ul style="list-style-type: none"> Valuation policy 	<ul style="list-style-type: none"> The valuation approach, inputs, and assumptions will differ based on the type of credit strategy Does the firm perform back testing to compare transaction prices and exit pricing against prior valuations? Frequency of valuations 	<ul style="list-style-type: none"> Valuations comply with relevant fair value measurement accounting standards, for example AASB 13/ IFRS 13/ASC820 Financial Instruments are valued in accordance with AASB 9 Periodic independent valuations, generally at least quarterly and possibly more frequent for distressed or special situations
<ul style="list-style-type: none"> Real Estate 	<ul style="list-style-type: none"> Valuation policy 	<ul style="list-style-type: none"> What valuation methodology is being utilised (DCF, market multiples, etc) Are different methodologies being utilised for different assets? Frequency of valuations 	<ul style="list-style-type: none"> Valuations comply with relevant fair value measurement accounting standards, for example AASB 13/ IFRS 13 /ASC 820 Valuation practices align to industry standard guidelines (for example, RICS, API, INREV, IVSC etc) At least half-yearly independent valuations for each asset in the portfolio and possibly more frequent as required
<ul style="list-style-type: none"> Infrastructure 	<ul style="list-style-type: none"> Valuation policy 	<ul style="list-style-type: none"> What valuation methodology is being utilised (DCF, market multiples, etc) Is market data periodically reviewed What inputs are being considered when calculating the value of an asset (for example, considerations will differ for airports versus toll roads) Frequency of valuations 	<ul style="list-style-type: none"> Valuations comply with AASB 13/ IFRS 13 Valuation practices align to industry standard guidelines (for example, INREV, IVS 100 and 400, etc) At least annual independent valuations for each asset in the portfolio

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Cryptocurrency and digital assets 	<ul style="list-style-type: none"> Cryptocurrency and digital assets policy 	<ul style="list-style-type: none"> Confirm whether crypto and digital assets are held within the portfolio. Clearly document in report outcomes 	<ul style="list-style-type: none"> Clear documentation of digital assets process and holding practices (including custody if necessary) Appropriate inclusion within Valuation Committees Valuation Committees have appropriate digital and crypto asset expertise

C.7 Valuations - all

Objective: To assess the appropriateness of the valuation process, specifically assessing transparency, independence, robustness, and effectiveness at mitigating or removing the risk of errors in the valuation process of all relevant asset classes including unlisted and illiquid markets.

Practice note regarding audit of valuations –ASFA recognises that it can be reasonable for the same audit firm to be responsible for multiple audit functions, including fund audits, internal audit, external audit etc. It is encouraged that investors and Investment Managers engage separate teams with appropriate independence, segregation of duties and qualifications complete each function, recognising in particular that each field of audit is a specialty of reviewing asset valuations in itself, particularly financial audit relative to valuation audits.

ASFA values and appreciates that independent valuations are completed in a range of manners. ASFA encourages the use of independent valuers wherever possible and encourages those parties (and auditors of those parties) to challenge and validate the inputs to valuations in addition to ensuring consistency of process and governance surrounding these processes.

In addition, ASFA recognises the role of audited valuations and valuation models vs unaudited roll forwards of these models, which may have additional internal oversight. ASFA's view is that the frequency of the valuation and roll forward should have some consistency to the liquidity profile of the asset alongside the variability of the inputs to the valuation, preferably on an annual basis at a minimum and that any completion of valuation roll forwards completed by related / internal parties utilises oversight from a segregated function.

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Governance 	<ul style="list-style-type: none"> Valuation Committee terms of reference/charter Oversight/verification/challenge from fund auditor, including valuation inputs and assumptions 	<ul style="list-style-type: none"> Process for managing valuations (such as approval, rejection, and reassessment) Pricing of securities Triggers for out-of-cycle valuations Ability for exceptions and overrides Management of stale valuations Process for managing valuations (for example, approval, rejection, etc) and internal governance to address valuation issues (for example, stale prices, exceptions, and overrides) Reporting process 	<ul style="list-style-type: none"> Non-conflicted committee Regular valuation meetings, documented Periodic review of valuation processes and associated policies Formal and clear escalation and resolution procedures Appropriate sign off by Valuation Committee under recognised delegations and appropriate governance Review by independent audit or alternative party Independent asset verification Independent review and assessment of any valuation models utilised Periodic reporting to Board and/or Board committees Independent verification of valuation assumptions/methodologies

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Inputs (may be asset class/ instrument specific) 	<ul style="list-style-type: none"> Valuation policy 	<ul style="list-style-type: none"> Definitions of level 1, 2 and 3 assets Documented pricing typical sources and hierarchies Does the firm maintain a panel of valuation agents Approach for adopting the independent valuer's mark (for example, mid-point) Documentation of exemptions and out-of-cycle valuations, stale valuations, etc 	<ul style="list-style-type: none"> Alignment with industry standards by sector (for example, AASB 13 , ASC 820, IPEV, RICS, INREV, etc) Oversight/verification by audit of valuation inputs Independent pricing of assets Periodic review of valuations and/or valuers/valuation sources Valuation agents are rotated periodically Cross-checking of pricing sources for Level 1 assets Formal approach for adopting the independent valuer's mark (for example, mid-point)
<ul style="list-style-type: none"> Methodologies (assumptions, timing and frequency) 	<ul style="list-style-type: none"> Methodology documentation 	<ul style="list-style-type: none"> Assumptions documentation Roles and responsibility for methodology changes Frequency of valuations Controls around valuation models, if utilised 	<ul style="list-style-type: none"> Valuation frequency (both internal and external) is commensurate with the liquidity of the portfolio Controls testing (internal and external) Clearly articulated and documented methodology and escalation to Committee for methodology change Input validity testing Evidence of back testing Controls (including change management) in relation to valuation models
<ul style="list-style-type: none"> Team completing (insourced/ outsourced) 	<ul style="list-style-type: none"> Documented roles and responsibilities 	<ul style="list-style-type: none"> Experiences of employees involved in the valuation process Is there appropriate segregation between the team calculating/ overseeing the pricing of the assets and the front office 	<ul style="list-style-type: none"> Independence, segregation of duties between investments and valuer Independent verification of valuation assumptions Clear roles and responsibilities

C.8 IT systems and security - enterprise

Objective: To ensure the Investment Manager's IT systems and security processes are appropriate for the asset class, region (including to regulatory standards impacting certain Australian investors – for example, CPS 234, CPS 230, etc) and marketplace in which it is investing and are sufficiently robust and fit for purpose and that it has the knowledge and capacity to continually develop these processes and security systems. Consider the ability and intent of the manager to ensure future data and technology security.

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> IT governance 	<ul style="list-style-type: none"> Internal controls and IT audit Risk findings related to IT 	<ul style="list-style-type: none"> Regular discussion of IT at the risk committees and Board Oversight of IT outcomes and review of regular improvements Review of roles and responsibilities for appropriateness 	<ul style="list-style-type: none"> Independent assurance over IT framework ISO 27001 certification and/or evidence of assurance over NIST alignment Ongoing training for Board and staff Maintains a register of critical models and spreadsheets. The register of critical models and or spreadsheets is regularly reviewed and assessed for relevant risks Appropriate Reporting to Board and Risk Committees, standing item in meetings
<ul style="list-style-type: none"> IT infrastructure/architecture and resourcing 	<ul style="list-style-type: none"> Procedure manuals for proprietary applications Network and systems diagrams Audits for proprietary systems Documented roles and responsibilities 	<ul style="list-style-type: none"> Is the IT infrastructure and resourcing commensurate with the size of the business and the asset class being managed? Are there any key person risks in relation to proprietary applications? Where the IT function is outsourced, who is responsible for the management of the relationship and does the individual appear to have an appropriate level of understanding of the firm's IT environment? Appropriate oversight and accountability for the IT and cybersecurity environment from a governance function Understanding and oversight of third party applications that have access to the network 	<ul style="list-style-type: none"> Where the firm utilises a private cloud environment, it has appropriate protections in place to ensure retention of its own data/IP Formalised upgrade/update programs for infrastructure, hardware, and applications (for example, patch management) Administration rights limited for the network and any firm-issued hardware Processes in place to monitor the hardware redundancy and capacity levels to ensure sufficient resources

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Cybersecurity controls and testing 	<ul style="list-style-type: none"> Cybersecurity policy Incident response plan Acceptable use policy 	<ul style="list-style-type: none"> Does the suite of cybersecurity policies capture key cybersecurity considerations (for example, incident management procedures, firewalls, anti-virus and malware, data encryption, password rules, remote access, mobile devices, patch management, testing and vulnerability assessments, etc) SOC/SIEM and ongoing network monitoring processes, including triage and escalation procedures Is multi-factor authentication utilised where enabled to do so The firm has a policy of notifying investors in the event of a data breach, even if no client data was stolen 	<ul style="list-style-type: none"> Independent penetration (external and internal) testing/cloud configuration reviews, with periodic rotation of testers Ongoing vulnerability scanning Annual independent assurance of alignment to recognised industry frameworks (such as NIST, ISO 27001, Essential Eight etc) Testing/training for the key members of the incident response plan Cyber awareness training (including phishing) for all staff Use of password management tools Policies or procedures (that is, regular, formal monitoring) in place to ensure third parties with access to the network have appropriate cybersecurity controls Building, office, and data centre locations are physically secure Regular phishing testing
<ul style="list-style-type: none"> Data security controls 	<ul style="list-style-type: none"> Information security policy Acceptable use policy Privacy policy Data quality and governance policy Roles based access control (RBAC) guidelines 	<ul style="list-style-type: none"> Does the firm employ data classification protocols and are there additional controls applied when transmitting sensitive or confidential data Are SFTP and/or secure platforms used for communications? Systematised RBAC 	<ul style="list-style-type: none"> Data loss prevention tools RBAC which are subject to regular review and sign off, as well as audit Endpoint controls Mobile device management protocols Default use of encryption and password protection when transmitting sensitive or PII data via email Portable storage devices may be prevented Clearly documented understanding and prioritisation of the data critical to business processes and decisions. How critical data is collected, processed, and shared across upstream processes and systems

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Change management policy and related procedures 	<ul style="list-style-type: none"> Change management policy 	<ul style="list-style-type: none"> There are controls and processes around system and model development 	<ul style="list-style-type: none"> Appropriate segregation and controls surrounding application deployment to limit unauthorised changes to the production environment Changes are authorised, monitored, tested and approved prior to implementation Controls are reaffirmed, including access controls for internal and third-party users
<ul style="list-style-type: none"> AI (Artificial Intelligence) 	<ul style="list-style-type: none"> AI usage policy Acceptable use policy 	<ul style="list-style-type: none"> Is there a governance framework in place to oversee the use of generative AI and who is tasked with oversight of AI usage Does the policy covering AI address ethical considerations, regulatory compliance, and risk management What controls in place to protect sensitive and/or confidential data used in generative AI applications Where a third party AI tool is being utilised (such as Microsoft 365 Copilot), how does the firm ensure segregation of internal data from public access Has the firm sought to address data ownership and privacy considerations/regulations 	<ul style="list-style-type: none"> Training programs for staff in relation to the use of AI AI usage and associated risks are incorporated into the firm's risk management framework and/or compliance monitoring processes Restricting access and use of publicly available AI website whilst connected the network AI-specific threats and risks have been incorporated into the firm's cybersecurity program (for example, awareness training and cyber-risk considerations)
<ul style="list-style-type: none"> Spreadsheet controls 	<ul style="list-style-type: none"> Model and Spreadsheet management policy 	<ul style="list-style-type: none"> Where the firm uses spreadsheets, are there appropriate controls utilised (locked cells, macros, restricted access, etc) 	<ul style="list-style-type: none"> Periodic version control audits and back testing Maker-checker processes Independent assurance, particularly in relation to models used as inputs to decision making

C.9 Business continuity

Objective: To assess the Investment Manager's BCP and DRP and be assured that it is appropriately tested and maintained.

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<p>Business continuity</p> <ul style="list-style-type: none"> Scenarios Recovery strategies Business impact analysis Crisis team 	<ul style="list-style-type: none"> Business continuity management policy (BCMP) Business continuity plan (BCP) Test results 	<ul style="list-style-type: none"> Frequency of review and testing, process to manage findings and improvement opportunities identified Inclusion of service providers in its BCP testing How are critical staff determined Training for employees Scenarios included in the BCP Management of actual BCP events Outcome from the most recent test 	<ul style="list-style-type: none"> BCMP is reviewed and tested at least annually by a governing body. BCMP includes critical business activities, recovery objectives, key roles and responsibilities, and response plans to plausible disruption scenarios Dedicated Crisis Management Team (CMT) is in place and undergoes regular training and testing Issues and areas of opportunities are identified, recorded and managed until completion Oversight by the Risk Committee and Board Employees are provided training on a regular basis BCP and testing cover various scenarios (for example, not just working from home) Critical service providers are included in the BCP testing, or the Investment Manager has been included in the service provider's BCP test

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Disaster recovery 	<ul style="list-style-type: none"> Disaster recovery plan Test results 	<ul style="list-style-type: none"> Frequency of review and testing, process to manage issues and improvement opportunities identified Extent of the failover testing How are critical systems identified Outcome from most recent DR test 	<ul style="list-style-type: none"> DRP is reviewed at least annually Full failover testing is completed annually with partial failover testing completed throughout the year Issues and areas of opportunities are identified, recorded and managed until completion Oversight by the Risk Committee and Board
<ul style="list-style-type: none"> Call tree testing 		<ul style="list-style-type: none"> Frequency of call tree testing Process for capturing and updating employee details System and process used to enact the call tree 	<ul style="list-style-type: none"> Call tree testing undertaken at least annually Call tree testing is managed within a system which is connected to the Human Resources system to ensure that employee details are updated on a real time basis

C.10 Service provider oversight

Objective: Assess the extent to which the Investment Manager has Material Service Providers (including any related parties) and that these are adequately documented and managed. Examples of material outsourced arrangements may include Custody, IT, Middle Office, Fund Administration, Prime Brokerage, and Unit Registry, amongst others, and may vary depending on the operating model.

This should be applied equally to third party and related party service providers.

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<p>New service providers</p> <ul style="list-style-type: none"> • Due diligence process 	<ul style="list-style-type: none"> • Vendor management policy • Outsourcing policy • Service level agreements (SLAs) • Derivatives policy • Modern slavery policy • Supplier code of conduct 	<ul style="list-style-type: none"> • What is the process the Investment Manager has undertaken to identify whether the service provider was fit for purpose • Due diligence process undertaken for selecting and appointing a service provider • Due diligence process undertaken for related party providers 	<ul style="list-style-type: none"> • A formal service provider policy maintained are regularly reviewed, which includes contingency plans and exit strategies • Relevant stakeholders are included in the due diligence process including risk, compliance and IT • Formal RFP process for critical/key service providers
<p>Existing service providers</p> <ul style="list-style-type: none"> • Ongoing monitoring • Due diligence process • Benchmarking process 	<ul style="list-style-type: none"> • Service provider performance report • Vendor management policy • Outsourcing policy 	<ul style="list-style-type: none"> • Oversight process that is undertaken for existing service providers and related parties – that is, frequency that: <ul style="list-style-type: none"> • the service provider's performance is reviewed • a benchmarking review is conducted • full due diligence is undertaken • Reporting that is provided to relevant committees and boards on Material Service Providers 	<ul style="list-style-type: none"> • Clear governance and oversight of relationships with key/material third parties • A service and performance review and monitoring process is clearly outlined and implemented throughout the year. This includes both formal (for example deep-dive reviews across various areas of the service provider's business) and informal reviews (for example regular SLA monitoring and reviews) • Annual onsite due diligence of key third parties and should include periodic onsite reviews of locations performing the services • External benchmarking reviews undertaken periodically for all Material Service Providers including related parties

C.11 Environmental, social and governance – enterprise

Objective: To assess the sustainability and social impact of the Investment Manager’s operations and controls (including to regulatory standards impacting certain Australian investors – for example, CPG 229, etc).

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
<ul style="list-style-type: none"> Governance and oversight of the corporate ESG program 	<ul style="list-style-type: none"> ESG policy Responsible investment policy Modern slavery statements ESG Incident Log 	<ul style="list-style-type: none"> Regular oversight by a senior governing body, including reviewing relevant reporting How does a firm seek to implement the 'social' aspects of its ESG framework, both internally (health and safety, modern slavery, supply chain management, etc) and within the wider community (such as outreach programmes, volunteering days, charitable donations, etc) 	<ul style="list-style-type: none"> ESG policies and procedures are reviewed and updated regularly and reflect changes in regulation and contemporary ESG practices ESG policies include detail on internal reporting and escalation processes ESG should be a standing agenda item of the firm’s principal governance function or underlying committee, with appropriate reporting and escalation procedures, as needed ESG awareness training, to ensure employees remain abreast of a firm’s ESG policies and principles Demonstrable logs of ESG incidents and anticipated resolutions/awareness
<ul style="list-style-type: none"> Climate change risk 	<ul style="list-style-type: none"> Task Force on Climate-related Financial Disclosures (TCFD) reporting 	<ul style="list-style-type: none"> Has the firm set any corporate-ESG goals (such as carbon-neutrality, reduction in plastic waste, etc) and is their progress being monitored and reported externally Is the firm specifically addressing climate change risks and opportunities, at a corporate level Is the firm captured by any regional regulatory requirements pertaining to climate change/risk. If so, do they apply a consistent approach across all jurisdictions? 	<ul style="list-style-type: none"> There are management systems and procedures for identifying, managing and reporting on the financial risks arising from climate change Reporting is aligned to the TCFD

Scope	Examples of policy/documents	Examples of qualitative assessment and observations	Examples of good practice
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- Monitoring of regulations and reporting

- Compliance monitoring program
- Risk management framework
- PRI report

- A control function monitors adherence to ESG-related regulations and reporting as part of its compliance monitoring program that includes regular testing
- Where a firm subscribes to (or aligns with) ESG disclosure reporting standards (such as PRI, IRIS, TCFD, etc) or other initiatives (Transition Pathway Initiative, 30% Club, etc), who is responsible for reporting/monitoring adherence with the standard(s)/ initiatives
- Where a firm provides external corporate ESG reporting to an ESG reporting standards entity (such as PRI), there should be appropriate checks (by a control function) to ensure alignment with the standards, prior to publication

- Corporate - ESG risks are captured as part of a firm's ongoing compliance monitoring and risk management processes
- ESG regulatory guideline monitoring and reporting is performed by an independent control function or by dedicated ESG resourcing, following the same incidents and breaches processes as any other regulatory guidelines



Appendix 1

Additional information for managers identified as material under CPS 230

Where an Investment Manager has been identified as a Material Service Provider under CPS 230, the below is intended to serve as a guide for any additional ODD discussion and reporting by the appointed third party/Investment Manager.

ASFA would encourage the RSE/asset owner to discuss and agree with the Investment Manager which of the RSEs' Critical Operations under CPS 230 are performed by the Investment Manager, noting that not all services and processes performed or arranged by the Investment Manager are necessarily critical.

In considering the application of the below, ASFA encourages ODD reviewers to consider that while there is preferred documentation, consideration should be given to the care, skill and diligence of the Investment Manager, and thought to the potential for alternative/additional supporting documentation if needed to support the client's evidentiary needs under CPS 230. As noted above, while an Investment Manager may be classified as a Material Service Provider by one RSE, it may not be classified as a Material Service Provider by another RSE. ASFA recognises that the Investment Manager may choose to provide additional CPS 230 confirmation/review to only the client that has identified it as material, or to all clients, at the Investment Manager's discretion. A key distinction for CPS 230, recognising the crossover in requirements with SPG 530, is supporting the need for RSEs to demonstrate evidence to support CPS 230.

In summary, RSEs (or ODD Providers on behalf of RSEs) should, before commencement and during the term of the appointment:

- confirm and periodically reaffirm with the Investment Manager which of its processes have been identified as Critical Operations/processes captured by CPS 230 (mutual obligation), remembering that these may change based on investment or operational model changes
- mutually agree with the Investment Manager what documentation will be made available during CPS 230 reviews
- identify where CPS 230 requirements cross over with other APRA Prudential Standards, such as CPS 234 *Information Security*, and others with clear intent to avoid duplication of process and request of information.

CPS 230 – Operational Risk Management

Objective: To assess operational risk management and resiliency as it pertains to RSE Critical Operations where performed by a Material Service Provider/Investment Manager. Much of the below is also covered in the Guidance above. The reviewer should consider any additional evidence and outcomes that may not be captured in the Guidance above.

Scope	Examples of policy/ documents	Examples of qualitative assessment and observations	Examples of good practice
Critical Operations Mapping	<ul style="list-style-type: none"> • Process maps where relevant 	<ul style="list-style-type: none"> • Clearly mapped / documented internal processes linked to people, systems, locations 	<ul style="list-style-type: none"> • Demonstration of Board oversight of Critical Operations
Operational Risk Management Framework (ORMF)	<ul style="list-style-type: none"> • Risk identification documents • Documented risk assessments, controls and monitoring • Incident and near miss protocols and registers • Offshoring and geographical risk 	<ul style="list-style-type: none"> • Operational model assessment <ul style="list-style-type: none"> ▸ insource vs outsource ▸ geographical location ▸ geopolitical risk ▸ data management 	<ul style="list-style-type: none"> • Broad integration with governance and assurance processes
Material Service Provider risk management	<ul style="list-style-type: none"> • Outsourcing/ Procurement Policy <ul style="list-style-type: none"> ▸ Exit Strategy and Transition Planning 	<ul style="list-style-type: none"> • Pre appointment and ongoing monitoring of material outsourced providers and related parties • SLAs • KPIs • Periodic arm's length review • Clear path to transition outsourced services with minimal/no impact on data portability and maintenance of service levels • Confirmation of service providers used by the Investment Managers 	<ul style="list-style-type: none"> • Integrated Board oversight of outsourcing policy and practice • Strong management of related party outsourcing

Scope	Examples of policy/ documents	Examples of qualitative assessment and observations	Examples of good practice
Business continuity and scenario testing	<ul style="list-style-type: none"> • BCP including documented scenarios • BCP testing outcomes and remediations evidence 		<ul style="list-style-type: none"> • Broad and consistent BCP planning and testing • Regular uplift • Integration of Material Service Providers into BCP testing
Resilience metrics and reporting	<ul style="list-style-type: none"> • Board papers displaying operational resilience oversight, including data issues or SLA breaches • Risk registers/logs including incidents/ near misses, discussion of remediation 		<ul style="list-style-type: none"> • Regular review and oversight by Board of Risk and Resiliency including KPIs and SLAs • Board consideration of outsource providers' resiliency, risk and incidents
Information security and cyber resilience	<ul style="list-style-type: none"> • Internal Controls/ Audit for IT and Cyber processes if available • Evidence/discussion of alignment with NIST/ ISO 27001, Essential Eight as relevant • Evidence of cyber insurance • Penetration test results 	<ul style="list-style-type: none"> • Appropriate access controls and relevant IT requirements such as patching, test environments etc 	<ul style="list-style-type: none"> • Regular review/ uplift of IT and cyber requirements
Data governance and privacy	<ul style="list-style-type: none"> • Data Governance Policy (including location management and data segregation) • Cloud Usage policy • AI Usage Policy 	<ul style="list-style-type: none"> • Consideration given to location of data management, as well as privacy laws 	<ul style="list-style-type: none"> • Appropriate data management, archive, cloud and AI practices
Board level governance		<ul style="list-style-type: none"> • Regular consideration of operational risk and resiliency at the Board 	<ul style="list-style-type: none"> • Demonstration of senior leadership accountability

Abbreviation	Definition
AASB	Australian Accounting Standards Board - Australian government agency responsible for developing, issuing, and maintaining accounting standards
AFSL	Australian Financial Services Licence – A licence issued by ASIC that authorises a person or entity to provide financial services in Australia
AASB 9	Australian Accounting Standards Board (AASB) Accounting Standard AASB 9 <i>Financial instruments</i>
AASB 13	Australian Accounting Standards Board (AASB) Accounting Standard AASB 13 <i>Fair value measurement</i>
AI	Artificial Intelligence - The use of tools or systems to simulate human intelligence processes by machines
AIST	Australian Institute of Superannuation Trustees – The former industry body referenced as the originator of the earlier version of the Guidance Note
APRA	Australian Prudential Regulation Authority – The regulator responsible for overseeing superannuation funds and setting prudential standards
API	Australian Property Institute - Professional organisation for property professionals in Australia referenced to property valuation standards
ASC 820	US Financial Accounting Standards Board (FASB) Accounting Standards Code (ASC) 820 <i>Fair value measurement</i>
ASFA	The Association of Superannuation Funds of Australia Limited – The peak policy, research and advocacy body for Australia’s superannuation industry and publisher of this Guidance Note
ATE	Additional Termination Event contract clause to mitigate counterparty credit risk
Audit Committee	A committee responsible for oversight of financial reporting and disclosure
BCMP	Business Continuity Management Policy – The policy outlining how an organisation manages business continuity
BCP	Business Continuity Plan – A documented plan for maintaining business operations during and after a disruption
Board	The governing body of an organisation, responsible for oversight and strategic direction

Abbreviation	Definition
Board Committee	A sub-committee of the Board, often with delegated responsibilities
CEO	Chief Executive Officer – Most senior executive responsible for the overall vision, strategy, and performance of the entire company, reporting directly to the board
CFA	Chartered Financial Analyst – A professional qualification for investment professionals
CMT	Crisis Management Team – The team responsible for managing crisis situations
CPG 229	APRA Prudential Practice Guide 229: <i>Climate Change Financial Risks</i>
CPG 230	APRA Prudential Practice Guide 230: <i>Operational Risk Management</i>
CPS 230	APRA Prudential Standard 230: <i>Operational Risk Management</i>
CPS 234	APRA Prudential Standard 234: <i>Information Security</i>
Critical Operation	<p>Defined in paragraph 35 of CPS 230 and (as at the date of this guidance) means processes undertaken by an APRA-regulated entity or its service provider which, if disrupted beyond tolerance levels, would have a material adverse impact on its depositors, policyholders, beneficiaries or other customers, or its role in the financial system</p> <p>Under paragraph 36 of CPS 230, an RSE Licensee must classify specified business operations – including investment management – as Critical Operations, unless it can justify otherwise</p>
CRO	Chief Risk Officer – Senior executive responsible for risk management
CSA	Credit Support Annex, a legal document defining collateral requirements for derivative transactions to manage risk
DCF	Discounted Cash Flow - A valuation method used to estimate the value of an investment based on its expected future cash flows
DEI	Diversity, Equity, and Inclusion – Policies and practices promoting a diverse and inclusive workplace
DRP	Disaster Recovery Plan – A plan for restoring IT systems and data after a disruption

Abbreviation	Definition
ESG	Environmental, Social, and Corporate Governance – Criteria for evaluating a company's ethical impact and sustainability
Essential Eight	A set of eight baseline cyber security practices developed by the Australian Cyber Security Centre to help organisations protect their systems from the most common cyber attacks. Conceptually similar to international cyber security frameworks (like NIST Cybersecurity Framework or ISO 27001), but more targeted and prescriptive.
ESVC	Early Stage Venture Capital – relates to the maturity of the business and impact on valuations
FX	Foreign Exchange - The trading of one currency for another
GN	This Guidance Note
GS 007	Auditing and Assurance Standards Board Guidance Statement GS 007 <i>Audit Implications of the Use of Services Organisations for Investment Management Services</i>
HR	Human Resources – The department responsible for personnel management
IFRS 13	International Accounting Standards Board (IASB) International Financial Reporting Standards IFRS 13 <i>Fair value measurement</i>
IMA	Investment Management Agreement – A contract between an investor and an Investment Manager
INREV	European Association for Investors in Non-Listed Real Estate Vehicles – Issuer of guidelines for valuing non-listed real estate investments
Investment Manager	A professional or firm responsible for managing investments on behalf of third parties.
IPEV	International Private Equity and Venture Capital Valuation Guidelines
ISDA	International Swaps and Derivatives Association – A trade organisation for participants in the market for over-the-counter derivatives, and the publisher of standard derivatives contracts
ISO 27001	International Organization for Standardization (ISO) standard ISO 27001 <i>Information security, cybersecurity and privacy protection – Information security management systems – Requirements</i>
IT	Information Technology – Systems and infrastructure for managing information
IVS 100	International Valuation Standards Council – IVS 100 – <i>Valuation Framework</i>
IVS 400	International Valuation Standards Council – IVS 400 <i>Real Property Interests</i>

Abbreviation	Definition
IVSC	International Valuation Standards Council – An independent, not-for-profit organisation that sets global standards for valuation practice and the valuation profession
KPI	Key Performance Indicator – A measurable value that demonstrates how effectively objectives are being achieved
LP	Limited Partner – An investor in a private investment fund
LPAC	Limited Partner Advisory Committee – A committee of LPs providing advice to the fund manager
Material Service Provider	Defined in paragraph 49 of CPS 230 and (as at the date of this guidance) means service providers on which the RSE Licensee relies upon to undertake a Critical Operation or that expose it to material operational risk. In footnote 15 to CPS 230, APRA notes that a Material Service Provider may be a third party, related party or connected entity and that their materiality may be a consequence of an individual arrangement or the result of multiple arrangements with the RSE Licensee. Under paragraph 50 of CPS 230, an RSE Licensee must classify a provider of specified services – including investment management – as a Material Service Provider, unless it can justify otherwise
NAV	Net Asset Value – The value of an entity's assets minus its liabilities, often used to determine the value per share of a fund
NIST	National Institute of Standards and Technology – A US government agency that develops technology, metrics, and standards, including cybersecurity frameworks
ODD	ODD – The process of analysing the philosophy, people, and processes of the Investment Manager to ensure capability
ODD Provider	The independent professional or firm conducting the ODD review
ODD Report	The report produced by the ODD Provider, outlining operational risks and findings
OMS	Order Management System – Software for managing securities orders
ORMF	Operational Risk Management Framework – The framework for identifying, assessing, and managing operational risk
PI	Professional Indemnity – Insurance covering professionals for claims of negligence or mistakes
PII	Personally Identifiable Information – any data that can identify, contact or locate a specific individual
PRI	Principles for Responsible Investment – An international network of investors promoting responsible investment (formerly known as UN PRI)
RBAC	Role Based Access Control – A method of restricting system access to authorized users

Abbreviation	Definition
RFP	Request for Proposal – A document that solicits proposals for the provision of products and services
RICS	Royal Institution of Chartered Surveyors – A professional body for qualifications and standards in land, property, infrastructure, and construction
Risk Committee	A committee designed to oversee an organisation's risk management framework, strategy and appetite
RMF	Risk Management Framework – The overall approach to managing risk within an organisation
RSE	Registrable Superannuation Entity – A superannuation fund, approved deposit fund or pooled superannuation trust that is registered with APRA
RSE Licensee	The trustee or responsible entity for an RSE
SFTP	Secure File Transfer Protocol – A secure network protocol for transferring files, often used for confidential or sensitive data
SLA	Service Level Agreement – A contract defining the level of service expected from a service provider
SMAAs	Separately Managed Accounts – Investment accounts managed separately for individual clients
SOC/SIEM	Security Operations Centre/Security Information and Event Management – Systems for monitoring and managing security incidents
SPG 530	APRA Prudential Practice Guide 530: <i>Investment Governance</i>
SPS 220	APRA Prudential Standard 220: <i>Risk Management</i>
SPS 530	APRA Prudential Standard 530: <i>Investment governance</i>
TCFD	Task Force on Climate-related Financial Disclosures – An international body developing climate-related financial risk disclosures
Terms of reference	A document outlining the purpose and structure of a committee or project
Valuation Committee	A Committee responsible for the overseeing, reviewing and approving of asset valuations and valuation methodologies



ASFA Investment Manager
Operational Risk Guidance Note