

ISO 37000

GOVERNANCE OF ORGANIZATIONS

Daniel Lucien Bühr

Swiss Head of Delegation to the ISO Expert
Committee on Governance of Organizations

THE INTERNATIONAL
STANDARD ON GOVERNANCE
OF ORGANIZATIONS





INTRODUCTION

1. The evolving organizational governance landscape
2. Introducing ISO 37000
3. ISO 37000 governance principles
4. Key take-aways

The evolving organizational governance landscape





Why Governance?

”sustainable development cannot be realized without...good governance at all levels and transparent, effective and accountable organizations”

(UN Agenda 2030)

General Governance Trends

STAKEHOLDERS

2019 US Business Roundtable:
“We share a fundamental commitment to all our stakeholders”.

2020 World Economic Forum (WEF) Manifesto: “The purpose of a company is to engage all its stakeholders in shared and sustained value creation”.



ESG

Target setting and reporting on material impacts on and by an organization of ‘Environmental, Social and Governance’ matters is increasingly expected by investors and stakeholders worldwide.



PURPOSE

WEF 2021 “The definition of governance is evolving as organizations are increasingly expected to define and embed their purpose at the centre of their business.”



Governance Trends (cont.)

ISO 37000 supports organizations to meet evolving disclosure requirements - for example

NFRD & CSRD

The European Union's Non-Financial Reporting Directive (NFRD) establishes that large companies must disclose non-financial and diversity information regarding environmental and social matters, human rights, anti-corruption and bribery.

EFRAG, GRI etc.

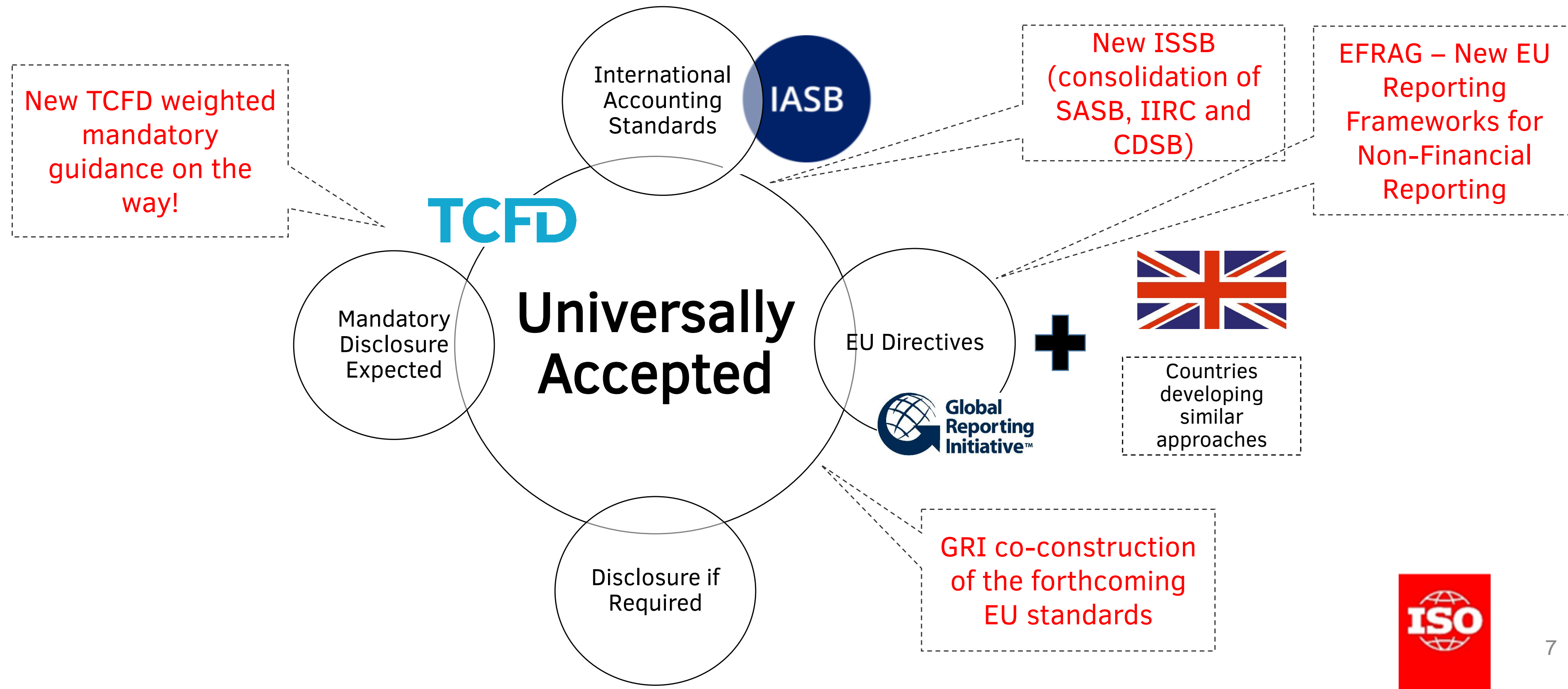
The European Financial Reporting Advisory Group (**EFRAG**) develops and promotes European views in the field of financial reporting, including on sustainability, and advises the European Commission. The international organization Global Reporting Initiative (GRI) has issued Sustainability Standards in 2016 and a Guidance for corporate reporting on Sustainable Development Goals in 2017.

TCFD

The 2017 Task Force on Climate-Related Financial Disclosures ("TCFD"), established by the Financial Stability Board, issues recommendations on climate-related financial disclosure and guides companies in allocating assets environmental-friendly.



The Shifting Governance Reporting Landscape



How to make sense of all of this?

Governance Foundations

All organizations exist for a meaningful reason. They have a purpose – the ultimate value they generate for stakeholders.

Governance provides the direction, oversight and accountability for and of organizations so that they are clear about the goals and the parameters within which to achieve them.

Until recently, governance was mostly used to optimize financial benefit to the organization and its shareholders – self-interest was institutionalized.

Unsustainability

The **end goals** of long-term societal wellbeing and the **means** to achieve it (healthy social and environmental systems) have been ungoverned.

Corruption and other self-interested behavior at governing body and management level led to lack of trust and increased costs of capital allocation, lack of innovation and loss of competitive strength.

The New Governance Norm

Views about organizations and their governance have been changing fast towards organizations:

- existing for a **purpose aligned with society's long-term wellbeing**
- whilst **protecting the social and environmental systems** that underpin this wellbeing (means)
- make decisions in an **innovative, prudent and ethical manner** (mode).

South Africa's King IV Code is a good example of countries/ organizations that paved the way to ISO 37000.



Organizations
need to play their
role & here is the
foundational
instrument



ISO 37000 key stats

Scoping: 2016-2017

Development: 2017-2021

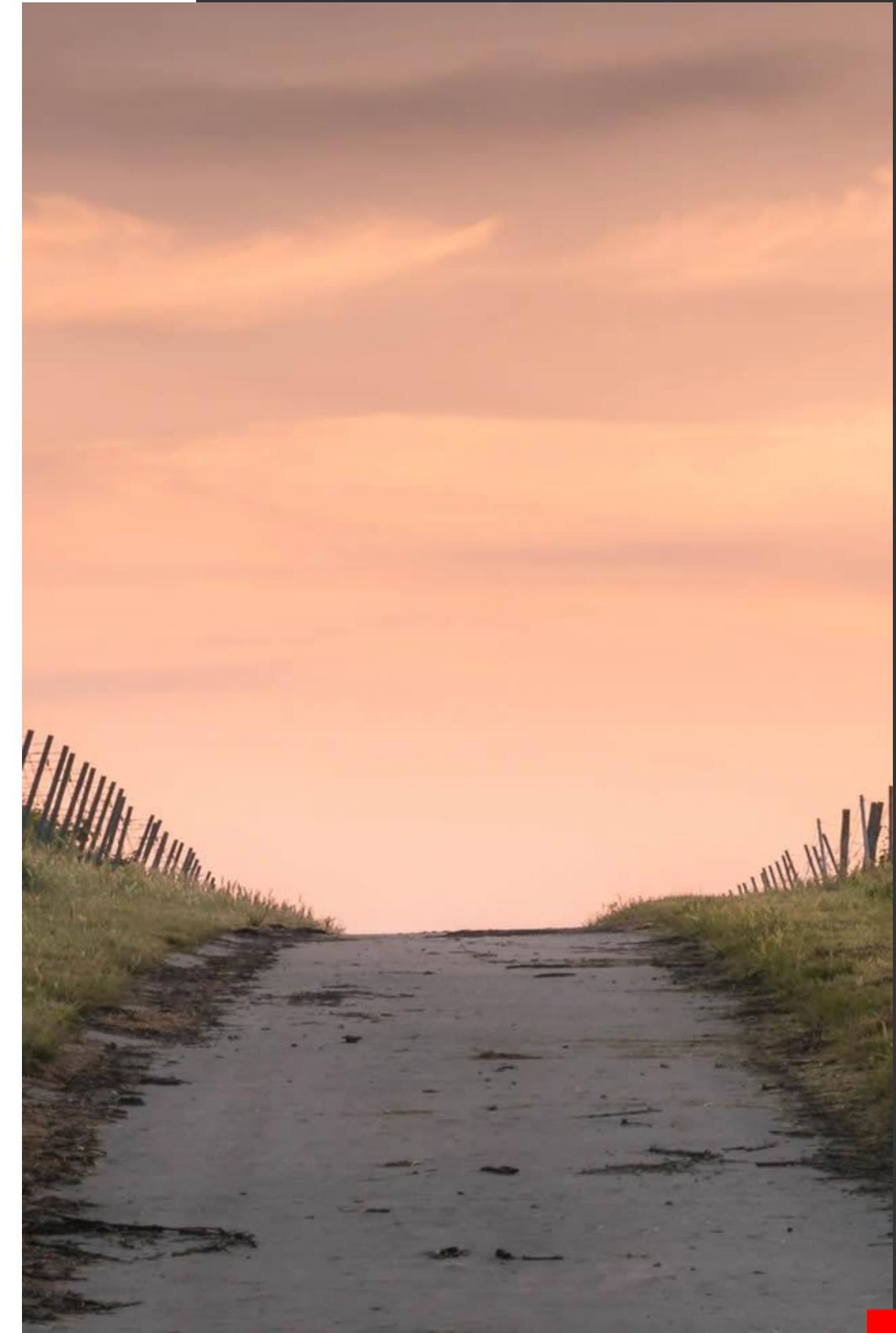
Countries involved: 77 countries

Liaisons involved: 24 liaisons were involved in its development

Comments: >1,500 unique comments resolved by WG1

Approval: The final ballot attracted 100% approval and all 164 ISO member countries had the opportunity to vote

Publication: The standard was published on 14 September 2021.



FIRST GLOBAL STANDARD ON GOVERNANCE OF ORGANIZATIONS

Published on 14.09.2021, ISO 37000 is the pioneer guideline on the topic for all organizations.

THE BENCHMARK

on how to put purpose at the center of governance so as to direct organizations ethically, responsibly, and effectively.

FUNDAMENTAL

for organizational purpose, values, ethics, accountability, the internal control system, assurance and risk governance.

REDUCES COMPLEXITY & COSTS

enables transparency and comparability across organizations and reduces complexity and costs, by providing a universal understanding of governance.

The instrument: ISO 37000

INTERNATIONAL

was developed by 77 countries and 24 international organizations. The most authoritative global document on good governance of all organizations.



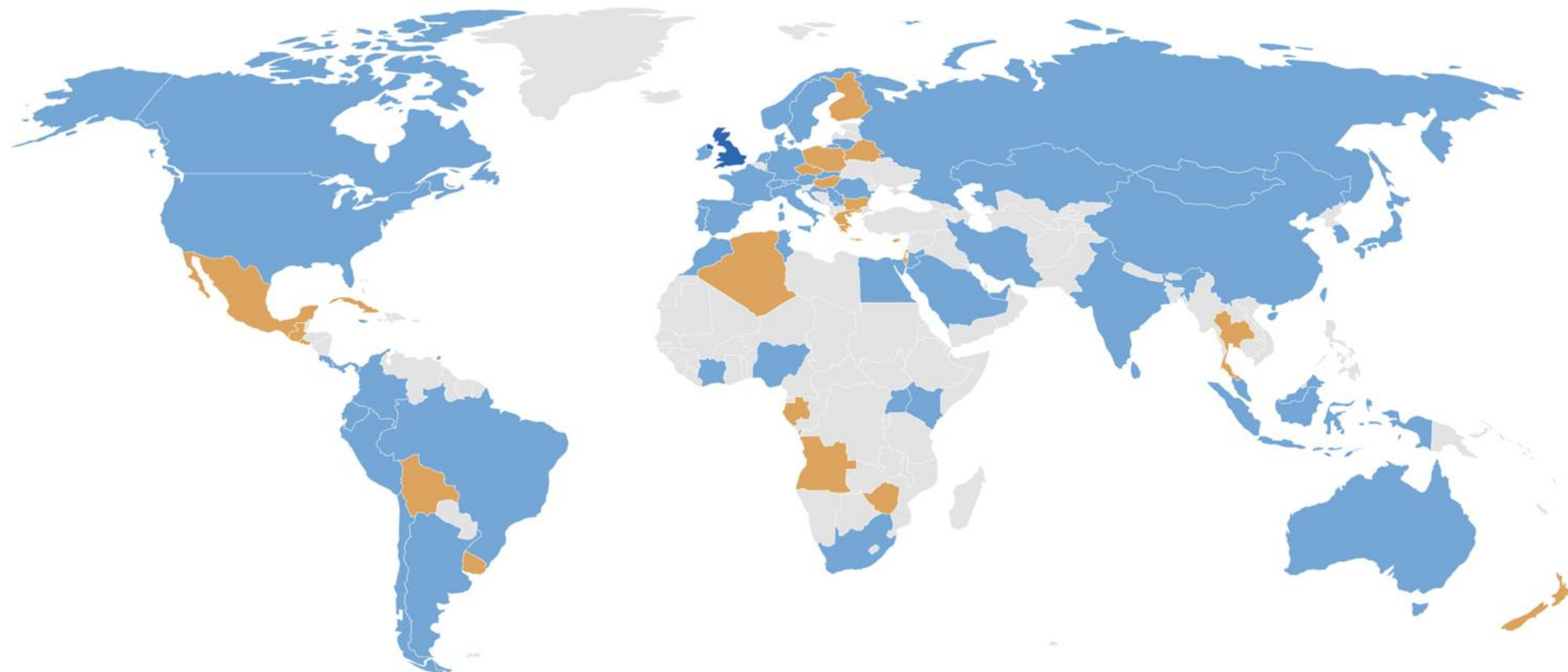
The Role of ISO



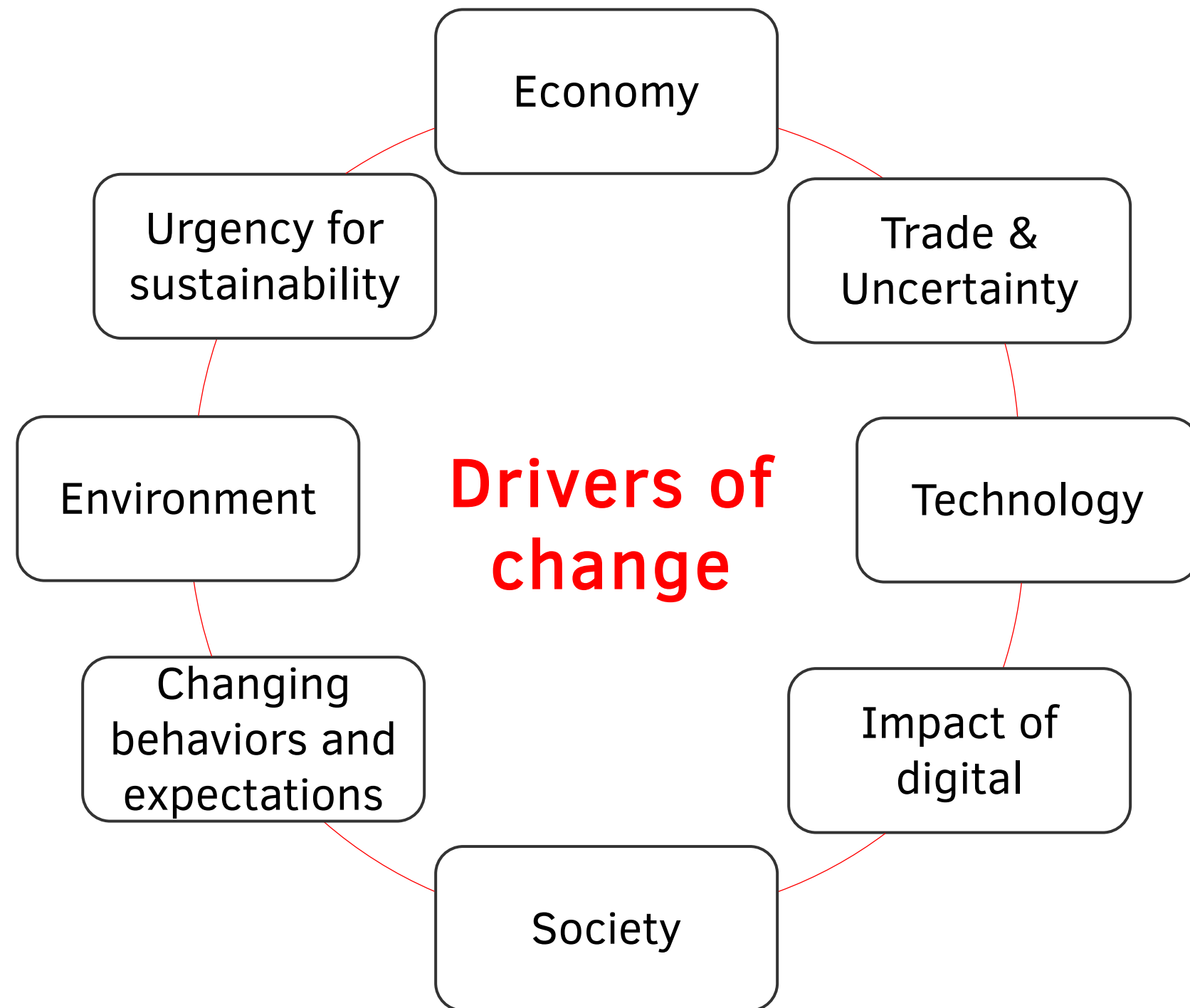
ISO 37000 – Participation at a glance

 **PARTICIPATING MEMBERS (55)**

 **OBSERVING MEMBERS (23)**



ISO's Strategy



International Standards are an important tool to support the shift towards a more sustainable future.



ISO Strategy 2030

PLAN

In 2015, the UN set an ambitious 15-year plan to address some of the most pressing issues faced by the world, in particular ending poverty, building economic growth and meeting social needs, including education, health, social protection, and job opportunities, and tackling climate change and environmental protection.

SDGs

By supporting its members to maximize the benefits of international standardization and ensure the uptake of ISO standards, ISO is promoting and supporting to meet the United Nations Sustainable Development Goals (SDGs).

CLIMATE ACTION

ISO is committed and supports the climate agenda and goals.

[ISO - Sustainable Development Goals](#)

[ISO London Declaration](#)

CONTRIBUTION

Economic, environmental and societal dimensions are all directly addressed by ISO standards. Organizations and companies looking to contribute to the SDGs, will find that International Standards provide effective tools to help them rise to the challenge.

[ISO - Strategy 2030](#)



ISO at a glance – Support of the UN SDGs

ISO Standards’ contribution to the UN Social Development Goals

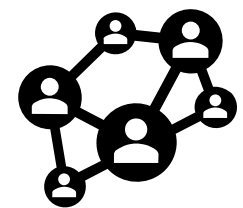


Why adopt ISO 37000?

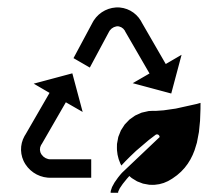


Integrated governance

The standard provides terminological clarity, consistency, and requisite differentiation across an **integrated organizational governance framework**. This strengthens **culture**, **resilience**, and **value generation** and facilitate the achievement of **purpose** and **sustainable development**.



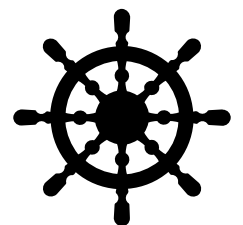
PURPOSE,
STAKEHOLDERS,
ULTIMATE VALUE



INTEGRATION OF
PURPOSE, NATURAL
ENVIRONMENT, AND
SOCIAL SYSTEMS



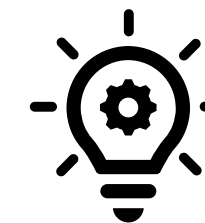
GOVERNING BODY,
GOVERNING GROUPS,
ACCOUNTABILITY



DIRECT AND
ENGAGE WITH
STRATEGY



CONTROL SYSTEM,
ASSURANCE, RISK
GOVERNANCE



VALUES, ETHICS,
PROCESSES,
PERFORMANCE
MEASUREMENT

Governance Architecture

PUBLISHED STANDARDS WITHIN SCOPE OF ISO/TC309

GOVERNANCE

ISO 37000 - Governance of organizations

MANAGEMENT

Example: Management of Values, Ethics and Compliance:
ISO 37301 -
Compliance management systems

ISO 37001 -
Anti-bribery management systems

ISO 37302 -
Whistleblowing management
systems

EXAMPLES OF RELATED STANDARDS beyond TC309

ISO IEC 38500 - Information
technology — Governance of
IT for the organization
etc.

ISO 31000 –
Risk
management

ISO 27000 - IT
Security
management
systems

ISO 31010 -
Risk assessment
Techniques

ISO 26000 –
Guidance on social
responsibility



What people are saying

“

Effective governance enables organizations to deliver on its purpose, values and strategy. ISO 37000 **provides vital guidance** to achieve this and when used in conjunction with the principles of integrated reporting, can **drive accountability and improved decision-making** that supports efficient and productive business.

Charles Tilley, Senior Advisor, Value Reporting Foundation

“

Beginning with corporate purpose as its guiding principle, the ISO 37000 guidance **provides a rigorous and systematic framework on the governance of organizations**. It is thoughtful and carefully crafted--and is **relevant globally across a wide range of jurisdictions and different organizational models**. The 37000 guidance serves as a valuable frame of reference for companies, boards, investors, policymakers, regulators and other governance professionals.

George Dallas, International Corporate Governance Network (ICGN)

“provides vital guidance”

“rigorous and systematic framework on governance”

“drive accountability and improved decision-making”

“relevant globally across a wide range of jurisdictions and different organizational models”





ISO 37000 Highlights

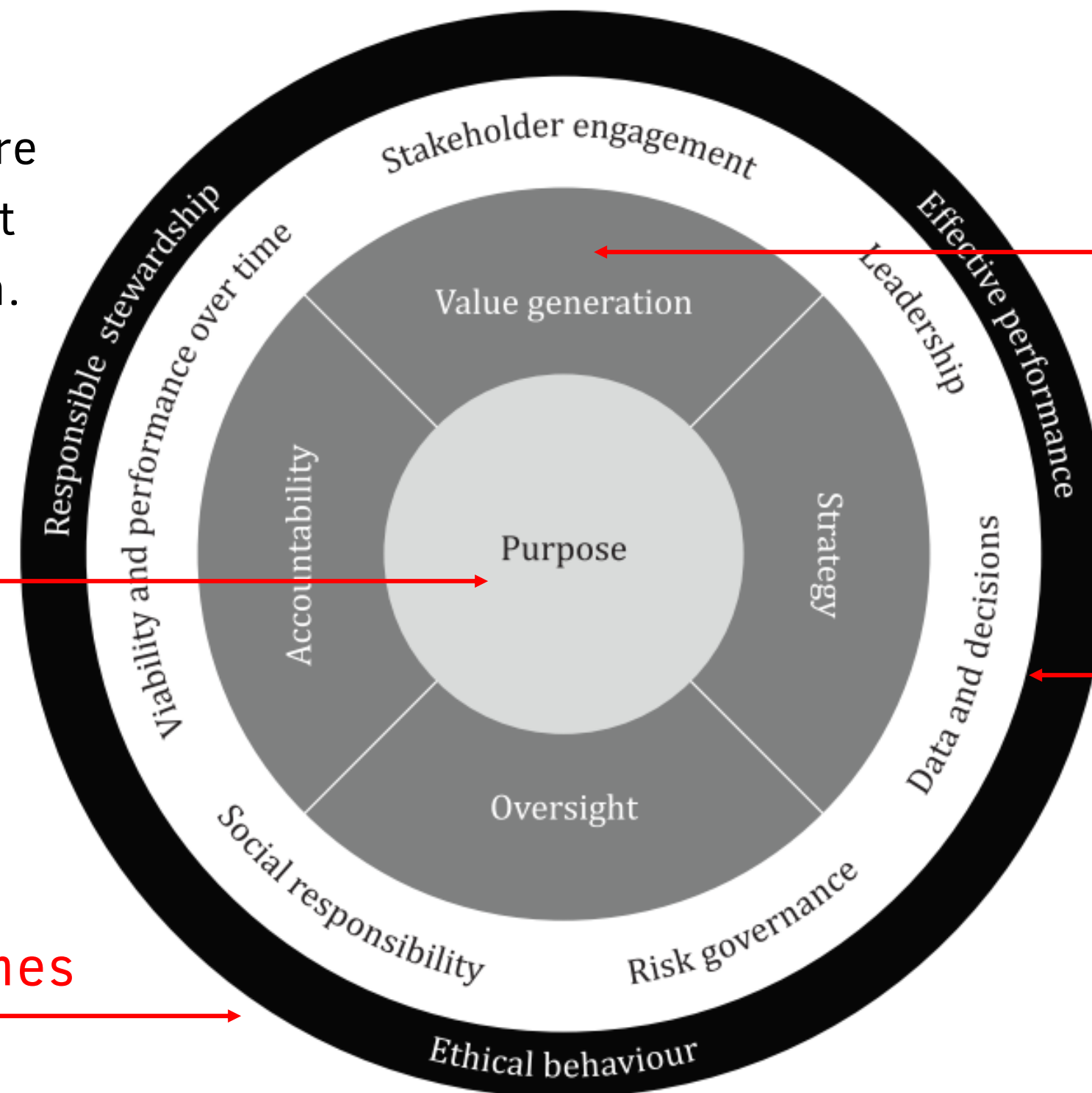
- Governance of organizations
Overview
- The Primary and the
Foundational principles
- The Enabling principles

Governance of organizations **Overview**

The ISO 37000 standard distills governance into 11 core principles that are at the heart of any successful organization.

1 Primary governance principle

Key governance outcomes



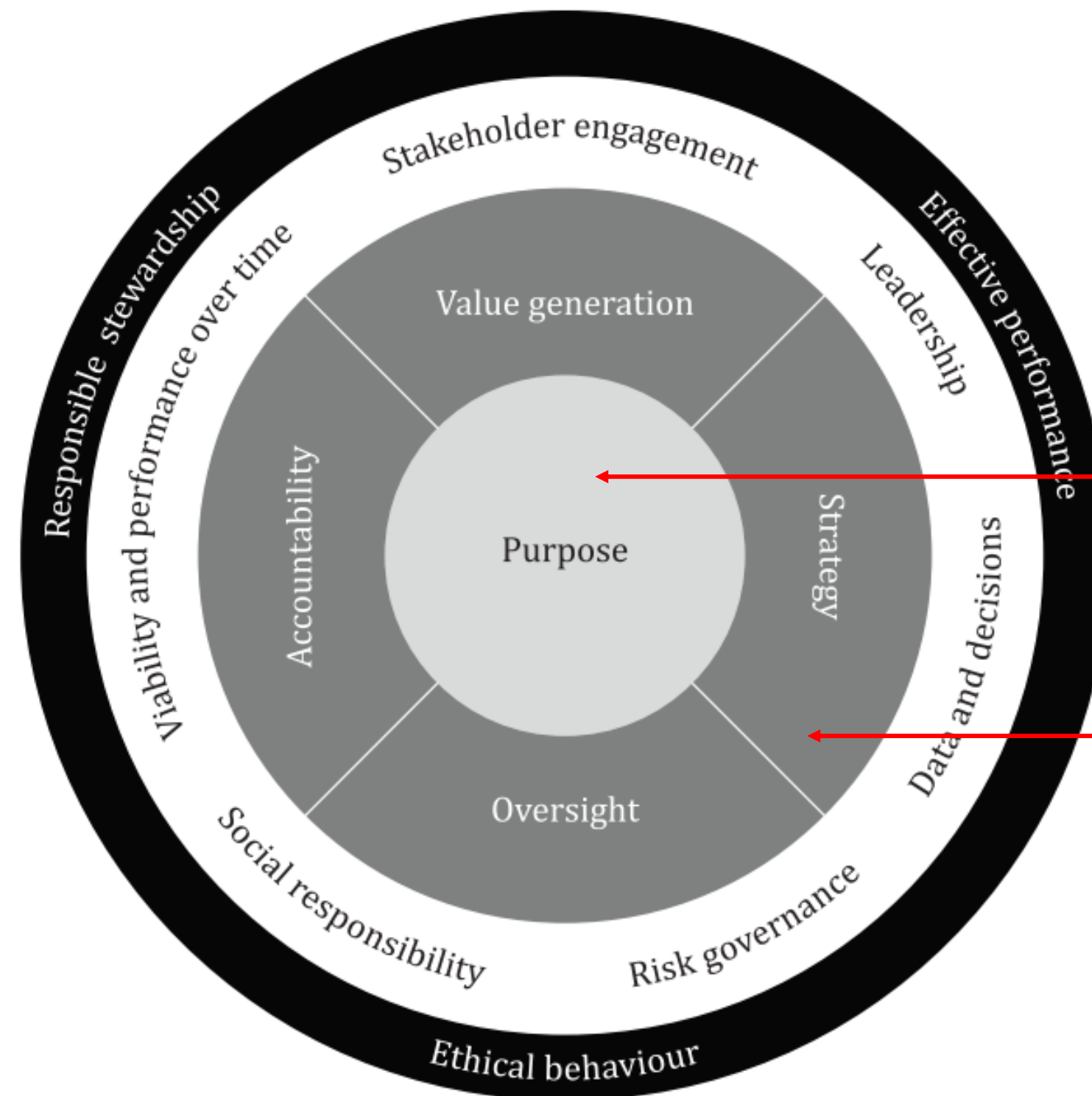
4 Foundational governance principles

6 Enabling governance principles



The **Primary** and the **Foundational** principles

1. Purpose
2. Value Generation
3. Strategy
4. Accountability
5. Oversight



1 Primary governance principle

4 Foundational governance principles

1. Purpose

ISO 37000 clarifies that **the governing body** is responsible for **defining and elaborating a meaningful, relevant organizational purpose** as the reason the organization exists and gives **detailed guidance on relevant practice**.

It also makes clear that the governing body should define the organizational values as the compass to guide how the purpose is achieved.

The Primary Principle



Organizational purpose statement defines, specifies, and communicates the **ultimate value** the organization intends to generate for specified stakeholders.



A value generation model
provides basis for innovation and collaboration
with stakeholders.

2. Value Generation

Organizations don't generate long-term value that achieves the organization's purpose or avoids harm by chance.

ISO 37000 establishes the responsibility of the governing body role to **clarify the value generation objectives and to govern** so that these objectives are met. This requires the governing body to **define a clear and transparent value generation** model that defines, creates, delivers and sustains appropriate value.

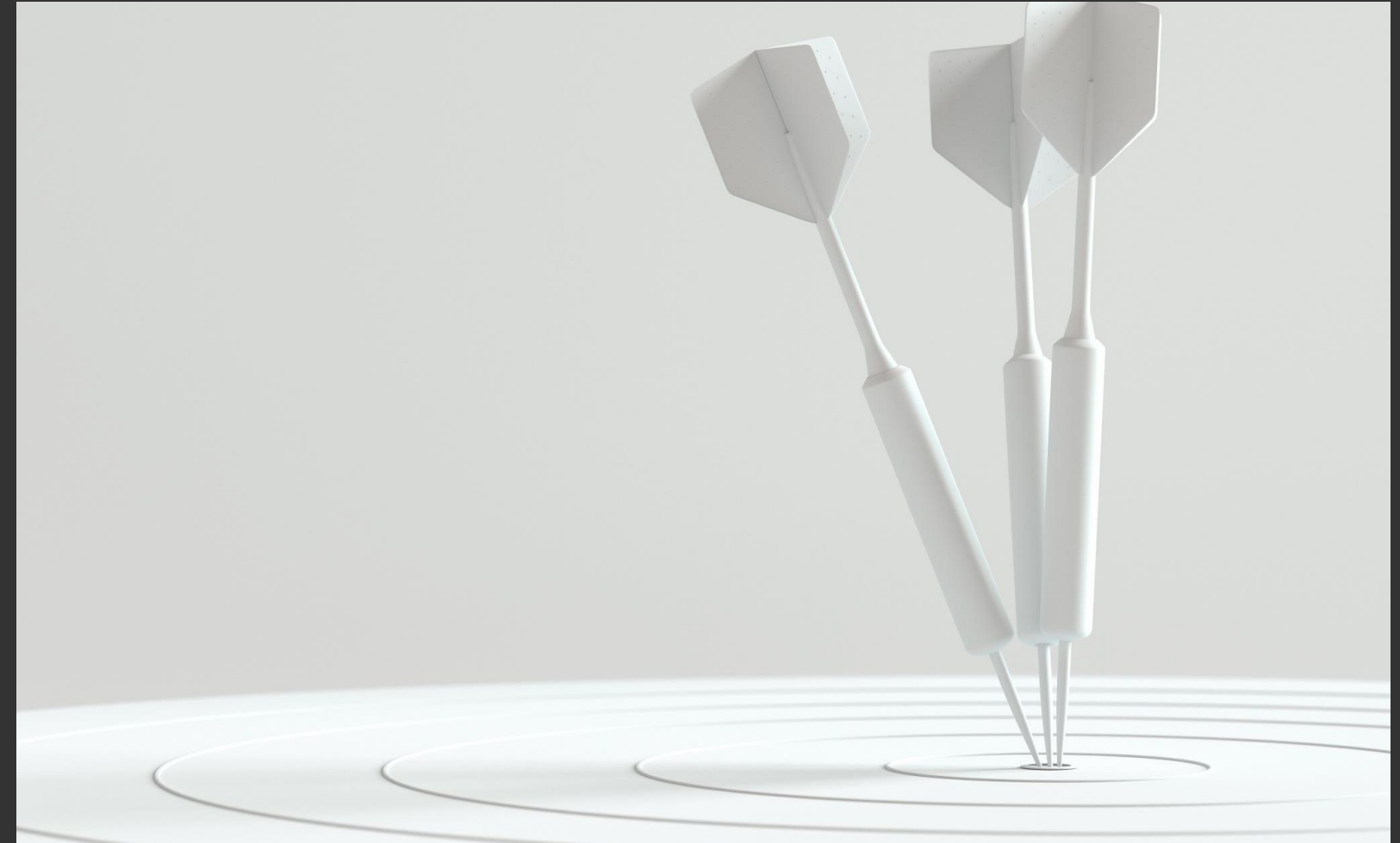
3. Strategy

The governing body **should direct and engage with the organizational strategy**, in **accordance with the value generation model**, to fulfil the organizational purpose.

The governing body sets the strategic outcomes, establishes governance policies to guide the strategy development, and engages in strategic planning.

The governing body should **actively and dynamically steer the strategy** in way that balances value generation in the present with value generation in the future.

A Foundational Principle



The organizational strategy reflects the governing body's intentions regarding the organization's achievement of the strategic outcomes within its changing context.



Accountability engenders trust and legitimacy, which leads to improved outcomes. It is demonstrated through reports, disclosures, effective stakeholder engagement, and applying improvements.

4. Accountability

ISO 37000 clarifies that **the governing body is responsible for and accountable to the organization as a whole.**

Accountability at all levels is a key aspect of governance. Accountability is established through the assignment of, and agreeing to, responsibility and the delegation of authority. The governing body can delegate but should **demonstrate its willingness to answer** for the fulfilment of its responsibilities, even where these have been delegated.

5. Oversight

ISO 37000 outlines the governing body's role and responsibility to effectively oversee the organization.

For the first time ever, clarity is given at a global level on **the nature, elements of and integration into organizations of the internal control system and the assurance processes.**

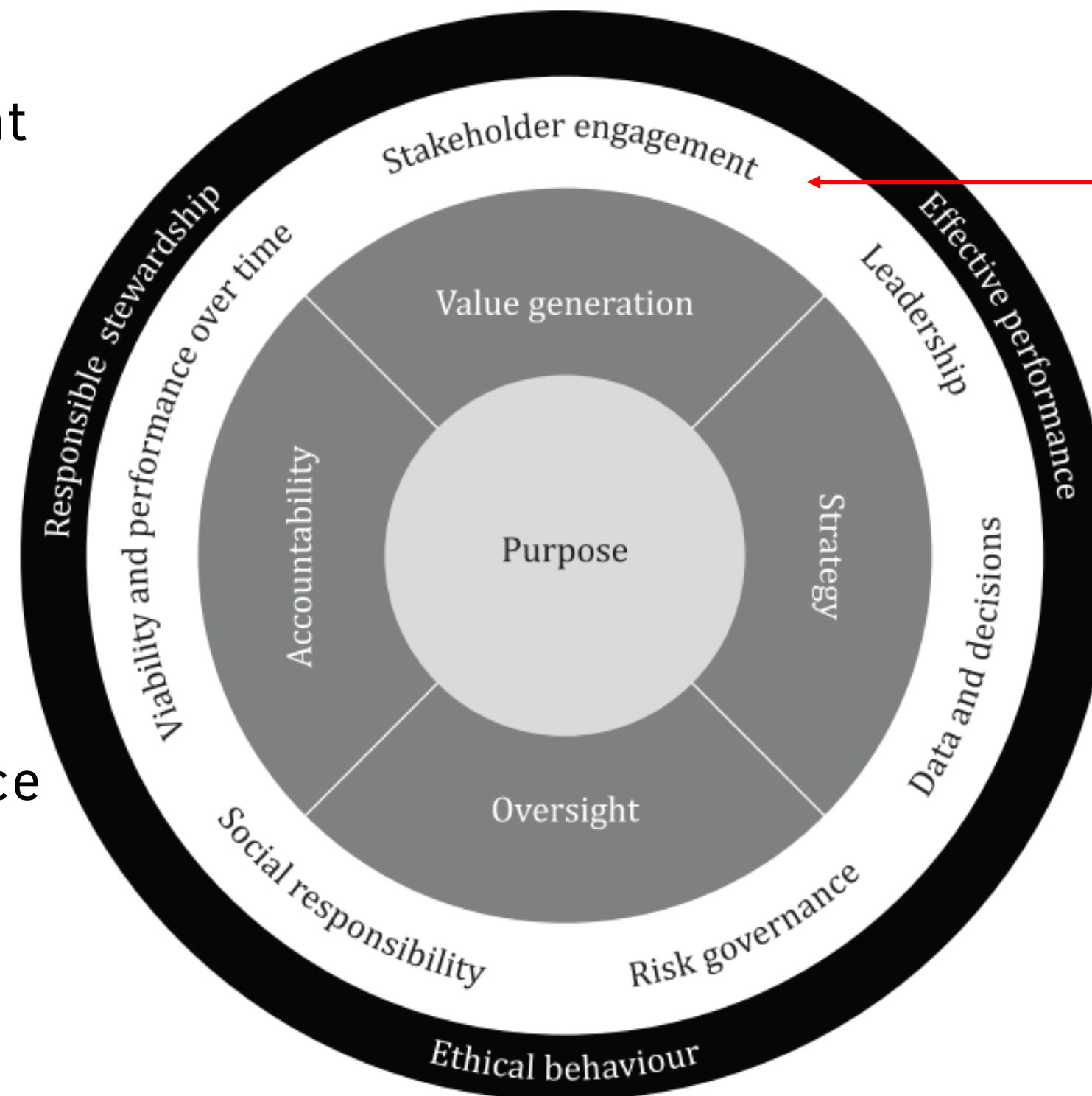
A Foundational Principle



Oversight by the governing body includes ensuring that an internal control system is implemented and assuring itself that the governance system is appropriately designed and operating as intended.

The **Enabling** principles

- 6. Stakeholder engagement
- 7. Leadership
- 8. Data and decisions
- 9. Risk Governance
- 10. Social Responsibility
- 11. Viability and performance over time



6 Enabling governance principles

6. Stakeholder engagement

ISO 37000 outlines **why and how** the governing body should **understand its stakeholders**, engage them in **achieving the organizational purpose** through the strategy, establish clear criteria to determine the relevance of stakeholder expectations, ensure **effective relationships are established and maintained**, and that **expectations** become an **effective part of organizational decision-making**.

An Enabling Principle



Member, reference, and relevant stakeholder engagement are key.

An Enabling Principle



The governing body should lead by example to create a positive values-based culture, set the tone for others, and engender trust and mutual cooperation with the organization's stakeholders.

7. Leadership

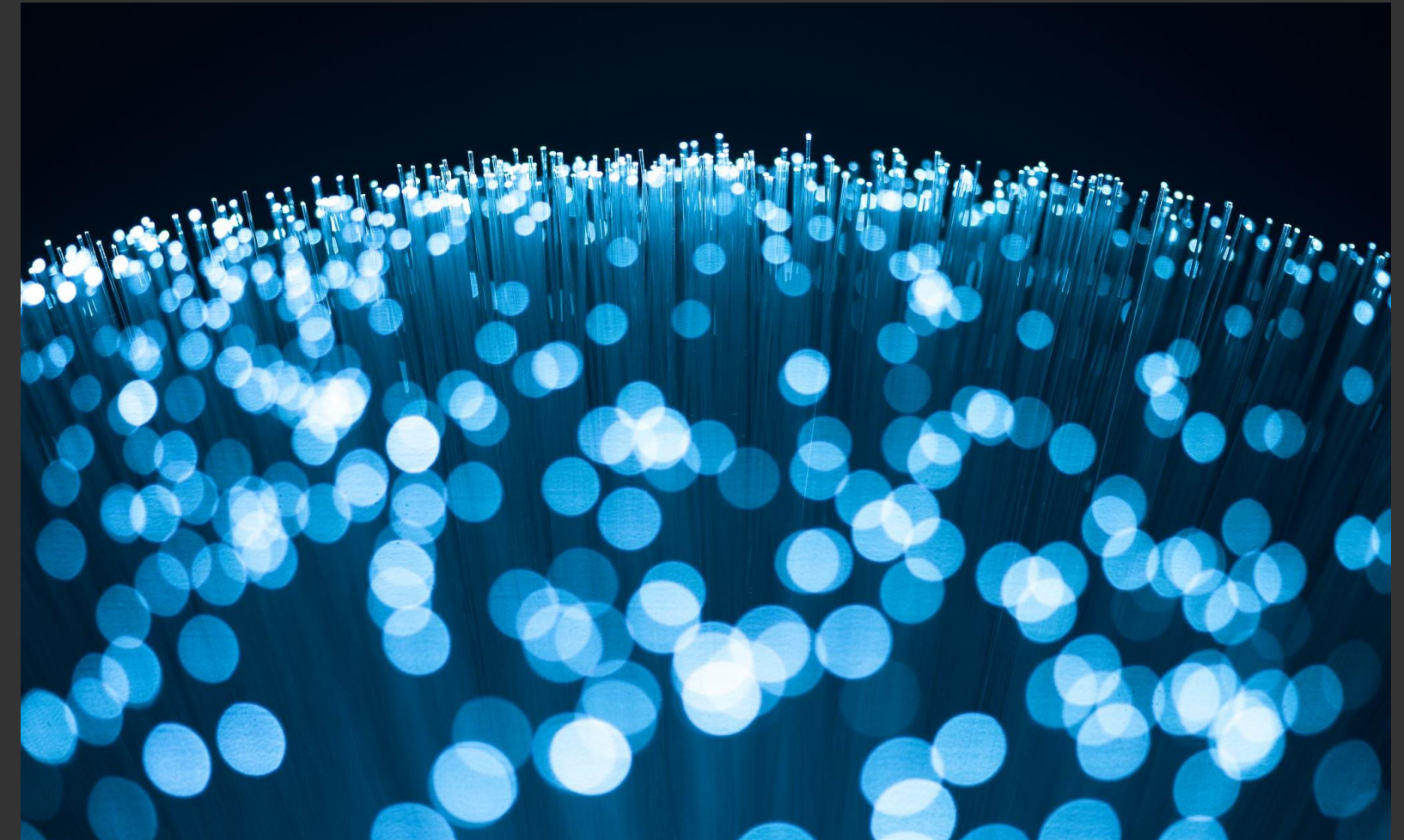
ISO 37000 clarifies that the **governing body should be values-driven and lead the organization ethically and effectively** and ensure such **leadership throughout the organization and its external context**. The governing body should set the **tone for an ethical and values-based organizational culture**.

8. Data and Decisions

ISO 37000 outlines that the governing body should **recognize data as a strategic and valuable resource for decision-making** by the governing body.

The governing body ensures that its own **decision-making process** and those of others in the organizations are **ethical, responsible and effective**.

An Enabling Principle



The governing body should ensure that the organization identifies, manages, monitors and communicates the nature and extent of its use of data.

An Enabling Principle



Value is generated when **appropriate risk** is taken, transferred or shared in a timely manner. This happens when the **governing body** balances **risk effectively**.

9. Risk Governance

ISO 37000 explains that **the governing body sets the tone and shapes the culture** for a proactive and anticipative approach to the management of risk across the organization.

The governing body **ensures the systematic assessment of risks and defines the risk criteria**, in particular the appetite for risk and risk limits.

The governing body **assesses, treats, monitors, and communicates the nature and extent of the risks** faced when making decisions.

An Enabling Principle



The organization should proactively contribute to sustainable development by generating value in a manner that meets the needs of the present without compromising the ability of future generations to meet their own needs.

10. Social Responsibility

The governing body should ensure that decisions are **transparent** and **aligned** with broader **societal expectations**.

For an organization to act in a socially responsible way, it needs to operate within the **parameters of acceptable behaviour** and not allow actions that are legally or locally permissible but not in line with what is expected of it by its broader stakeholders and society.

11. Viability and performance over time

The governing body identifies, describes and assesses the **key resources and value generation systems** the organization depends on to generate value, **how these interrelate** and how they are used over time. It ensures that the organization **protects** and **restores** the key resources and systems that it depends on or affects.

An Enabling Principle



Where an organization fails to understand and respond to the needs of the systems of which it is a part, it is unlikely that the organization will remain viable and perform over time.

Key take-aways



Key take-aways

ISO 37000 is the global benchmark for good organizational Governance:

Provides a clear **compass in key areas of good governance** such as purpose, stakeholder engagement, resource stewardship, accountability and oversight.

is *the* tool to align all **organizations world-wide** to fulfil their **meaningful purpose through engagement with their stakeholders and contribute to a sustainable world** which respects the **needs of future generations**.

is the **global benchmark for good governance** by all organizations. It creates **transparency, reduces complexity** and **builds trust** in and across organizations & society. It is the route to **value generation for all organizations**.



Daniel Lucien Bühr

dbuhr@lalive.law

+41 58 105 2100

+41 79 304 3921



[ISO 37000:2021 Governance of organizations - Guidance](#)

[Quicklinks: ISO - ISO/TC 309 - Governance of organizations](#)

[Committee Website: ISO - ISO/TC 309 - Governance of organizations](#)

