

DRAFT INTERNATIONAL STANDARD

ISO/DIS 37000

ISO/TC 309

Secretariat: **BSI**

Voting begins on:
2020-06-10

Voting terminates on:
2020-09-02

Guidance for the governance of organizations

ICS: 03.100.02

iTeh STANDARD PREVIEW (standards.iteh.ai)

[ISO/DIS 37000](#)

<https://standards.iteh.ai/catalog/standards/sist/84852109-c63a-45ba-b13d-c5526849016f/iso-dis-37000>

THIS DOCUMENT IS A DRAFT CIRCULATED FOR COMMENT AND APPROVAL. IT IS THEREFORE SUBJECT TO CHANGE AND MAY NOT BE REFERRED TO AS AN INTERNATIONAL STANDARD UNTIL PUBLISHED AS SUCH.

IN ADDITION TO THEIR EVALUATION AS BEING ACCEPTABLE FOR INDUSTRIAL, TECHNOLOGICAL, COMMERCIAL AND USER PURPOSES, DRAFT INTERNATIONAL STANDARDS MAY ON OCCASION HAVE TO BE CONSIDERED IN THE LIGHT OF THEIR POTENTIAL TO BECOME STANDARDS TO WHICH REFERENCE MAY BE MADE IN NATIONAL REGULATIONS.

RECIPIENTS OF THIS DRAFT ARE INVITED TO SUBMIT, WITH THEIR COMMENTS, NOTIFICATION OF ANY RELEVANT PATENT RIGHTS OF WHICH THEY ARE AWARE AND TO PROVIDE SUPPORTING DOCUMENTATION.

This document is circulated as received from the committee secretariat.



Reference number
ISO/DIS 37000:2020(E)

© ISO 2020

iTeh STANDARD PREVIEW
(standards.iteh.ai)

[ISO/DIS 37000](https://standards.iteh.ai/catalog/standards/sist/84852109-c63a-45ba-b13d-c5526849016f/iso-dis-37000)

<https://standards.iteh.ai/catalog/standards/sist/84852109-c63a-45ba-b13d-c5526849016f/iso-dis-37000>



COPYRIGHT PROTECTED DOCUMENT

© ISO 2020

All rights reserved. Unless otherwise specified, or required in the context of its implementation, no part of this publication may be reproduced or utilized otherwise in any form or by any means, electronic or mechanical, including photocopying, or posting on the internet or an intranet, without prior written permission. Permission can be requested from either ISO at the address below or ISO's member body in the country of the requester.

ISO copyright office
CP 401 • Ch. de Blandonnet 8
CH-1214 Vernier, Geneva
Phone: +41 22 749 01 11
Fax: +41 22 749 09 47
Email: copyright@iso.org
Website: www.iso.org

Published in Switzerland

Contents

	Page
Foreword.....	v
Introduction.....	vi
1 Scope.....	1
2 Normative references.....	1
3 Terms and definitions.....	1
3.1 Governance and organization.....	1
3.2 Principles and outcomes.....	2
3.3 Roles.....	4
4 Context of this Standard.....	5
4.1 The need for guidance.....	5
4.2 The governance of organizations.....	5
4.2.1 Thread of governance.....	5
4.2.2 Governance and management.....	6
4.3 Governance and stakeholders.....	6
5 The governing body.....	6
5.1 Composition and structure.....	6
5.2 Competence.....	7
6 Framework.....	8
7 Principles of governance.....	9
7.1 Purpose.....	9
7.1.1 Principle.....	9
7.1.2 Rationale.....	9
7.1.3 Key aspects of practices.....	10
7.2 Value generation.....	12
7.2.1 Principle.....	12
7.2.2 Rationale.....	12
7.2.3 Key aspects of practices.....	13
7.3 Strategy.....	14
7.3.1 Principle.....	14
7.3.2 Rationale.....	14
7.3.3 Key aspects of practices.....	15
7.4 Oversight.....	18
7.4.1 Principle.....	18
7.4.2 Rationale.....	18
7.4.3 Key aspects of practices.....	18
7.5 Accountability.....	19
7.5.1 Principle.....	19
7.5.2 Rationale.....	20
7.5.3 Key aspects of practices.....	20
7.6 Stakeholder engagement.....	21
7.6.1 Principle.....	21
7.6.2 Rationale.....	21
7.6.3 Key aspects of practices.....	22
7.7 Leadership.....	22
7.7.1 Principle.....	22
7.7.2 Rationale.....	22
7.7.3 Key aspects of practices.....	23
7.7.4 Dilemma examples.....	25
7.8 Data and decisions.....	25
7.8.1 Principle.....	25
7.8.2 Rationale.....	25
7.8.3 Key aspects of practices.....	26

7.8.4	Dilemma examples	27
7.8.5	Dilemma reconciliation	27
7.9	Risk governance	28
7.9.1	Principle	28
7.9.2	Rationale	28
7.9.3	Key aspects of practices	29
7.9.4	Dilemma examples	30
7.10	Exercising social responsibility	30
7.10.1	Principle	30
7.10.2	Rationale	30
7.10.3	Key aspects of practices	31
7.11	Organizational viability and success over time	32
7.11.1	Principle	32
7.11.2	Rationale	32
7.11.3	Key aspects of practices	32
Annex A (informative) Governance Tools and Resources		34
Bibliography		35

iTeh STANDARD PREVIEW
(standards.iteh.ai)

[ISO/DIS 37000](https://standards.iteh.ai/catalog/standards/sist/84852109-c63a-45ba-b13d-c5526849016f/iso-dis-37000)

<https://standards.iteh.ai/catalog/standards/sist/84852109-c63a-45ba-b13d-c5526849016f/iso-dis-37000>

Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights. Details of any patent rights identified during the development of the document will be in the Introduction and/or on the ISO list of patent declarations received (see www.iso.org/patents).

Any trade name used in this document is information given for the convenience of users and does not constitute an endorsement. For an explanation on the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT) see the following URL: www.iso.org/iso/foreword.html.

The committee responsible for this document is Technical Committee ISO/TC 309 *Governance of Organizations*.

ISO/DIS 37000

<https://standards.iteh.ai/catalog/standards/sist/84852109-c63a-45ba-b13d-c5526849016f/iso-dis-37000>

Introduction

The growth in volume and range of international guidance suggests that private, public and non-profit sectors globally are showing an increasing interest in the good governance of organizations.

Good governance of organizations means that decision-making within the organization is based on norms, practices, behaviours, organizational ethos, culture, structures, and processes to create and maintain an organization with clear purpose that delivers long term value consistent with the expectations of its stakeholders. The implementation of good governance of an organization include a framework of mechanisms, processes and structures that are appropriate for its internal and external context.

This guidance is directed at governing bodies but may also be useful to those that support it in discharging its duties such as:

- those who govern organizations;
- managers and staff;
- governance practitioners;
- other interested stakeholders.

Organizations that apply this guidance will be better equipped to understand the competing expectations of their stakeholders, and to apply the required creative entrepreneurship, culture, principles, performance and accountability that are necessary to deliver the objectives of the organization according to its purpose and values.

Governing bodies hold management to account and ensure that the culture, norms and practices in the organization align with its purpose. This guidance sets out principles which will assist governing bodies in discharging their duties effectively and efficiently, enhancing trust, inclusion, accountability, responsiveness and equity. Governing bodies that apply this guidance can achieve effective performance, responsible stewardship and ethical behaviour.

As the organization becomes more important to its stakeholders, the need for good governance and the expectation for transparency and accountability increases.

In applying this standard, stakeholders across countries and sectors can have increased confidence that governing bodies are making decisions that are responsible, accountable, fair, transparent, with probity and informed by:

- credible information and reliable data;
- stakeholders' expectations;
- ethical and societal expectations;
- compliance obligations;
- open and honest reporting and reporting;
- natural environment limitations and impacts.

Sound decision-making increases the confidence of stakeholders in the organization in terms of how it conducts its business, including the way in which decisions are made, and the way it produces intended outcomes.

The benefits of good governance can apply to

- the organization itself;
- owner stakeholders; and

— other stakeholders.

Examples of these benefits are listed in [Table 1](#).

NOTE Where the benefits accrue largely to owner and/or other stakeholders as well as to the organization in significant ways, they are listed under benefits to the organization. Benefits that accrue to one group frequently interconnect with the benefits of other groups.

Table 1 — Examples of the benefits of good governance

Beneficiary	Benefit
Organizations	— Accurate and effective decision-making as a result of holistic consideration of the organization and the context within which it operates. This is of benefit to the organization given the increasing complexity and rapidly changing business, economic, regulatory, political and technical contexts.
	— Improved organizational resilience in the face of negative leadership risks (as examples, faltering leadership due to ineffective succession planning and personal liability impacts), and increased ability to realize operational efficiencies as a result of ethical behaviour by the organization's leadership, and effective delegation of authority and responsibilities.
	— Increased speed of organizational decision-making and action as a result of clarity of leadership responsibilities and clear understanding of delegated authority.
	— Improved organizational ability to remain resilient when negatively impacted (as examples, fraud, non-compliance and environmental or utility impacts) and increased ability to improve competitive advantage (as examples, automation and artificial intelligence) through the recognition and realization of opportunities as a result of improved governing body oversight of risk management and internal controls.
	— Increased owner stakeholder value generation as a result of improved alignment of organizational activities with the agreed organizational purpose and strategy and effective oversight of organizational performance.
	— Increased access to, and reduced cost of, capital as a result of increased investor certainty in the effective governing body oversight of matters impacting the organization's sustainability and holistic decision-making in this regard.
	— Improved organizational value generation over the long-term for its stakeholders due to positive impacts on the local and international social, economic and environmental contexts in which the organization operates as a result of governing body considerations for social and environmental responsibility and contribution to the UN Sustainable Development Goals.
	— Lower staff costs due to an increasingly attractive environment for skilled staff, who are motivated not only by financial benefits, but also by intangible organizational benefits such as fairness, transparency and organization attractiveness as a result of effective and ethical leadership by the governing body.
	— Effective and ethical leadership by an organization's governing body is demonstrated, amongst other ways, in the organization's transparency with stakeholders and perceived good corporate citizenship. This contributes to increased organizational reputation, public image, public confidence and goodwill, all of which are part of the organization's intangible assets.
— Increased viability of start-up initiatives as a result of increased investor confidence in the organization's ability to remain resilient and true to the stated organizational purpose, due to increased leadership skill and attentive oversight; and increased continued organizational viability as a result of attention by the governing body on the organization's sustainability.	
	— Increased certainty of continued compliance with laws, regulations and good practices, as perceived by the organization's stakeholders and society, as a result of effective oversight by the governing body of the organization's compliance management, leads to improved certainty of owner stakeholder investments and involvement in the organization.

Table 1 (continued)

Beneficiary	Benefit
Owner stakeholders	— Improved shareholder relations and consequently investment certainty as a result of reduced minority-majority shareholder conflicts, executive-shareholder conflicts and conflict between the shareholders and other stakeholders due to effective shareholder engagement, limitations of executive authority, suitably transparent decision-making and reporting and protection of both small and large investors by the governing body.
	— Increased owner stakeholder trust in the organization due to effective delegation and limitation of authority, and oversight of the exercise of this authority by the governing body.
	— Effective and ethical governance by the governing body includes suitable transparency in its decision-making and key operation indicators, and consistency of terminology and application through the adoption of reporting frameworks and standards; this supports owner stakeholders in their ability to hold the governing body and its members accountable and to benchmark the organization's results against other similar organizations, allowing better management of their investment and consequently adding value.
	— increased transparency and access to information, demonstration of accountability, and commitment to effective investor engagement by the governing body, leads to increased investor confidence in the governing body's ability to direct the organization to use the invested assets appropriately.
Other stakeholders	— Good governance includes actions by the governing body to direct their organizations to present suitably transparent, clear and consumable reports and disclosures to its stakeholders, allowing regulators and society to evaluate the organization's positive and negative impacts on the social, natural environmental and economic context within which it operates, affording stakeholders the opportunity to hold organization's to account, highlighting inappropriate practices and with action, reduce harm to the public, economy and natural environment.
	— Effective stakeholder engagement and relationship building is a cornerstone of good governance and provides the organization with the ability to understand stakeholder requirements of the organization and co-create services and products of worth to stakeholders, increasing stakeholder value.
	— Improved resilience of organizations of critical importance to societal functioning as a result of good governance practices by their governing bodies leads to increased institutional resilience at national, regional and organizational levels, which benefits all stakeholders;

The governance of organizations is a system performed in the context of enabling principles in order to achieve the organizational purpose, governance outcomes and the generation of value for the organization and its stakeholders. This system operates in a context of externalities which should be taken into consideration.

[Figure 1](#) illustrates the framework for governance of organizations and consists of the principles and outcomes outlined in this document. These components might already exist in full or in part within the organization. However, they might need to be adapted or improved so that the governance of the organization is efficient, effective and consistent.

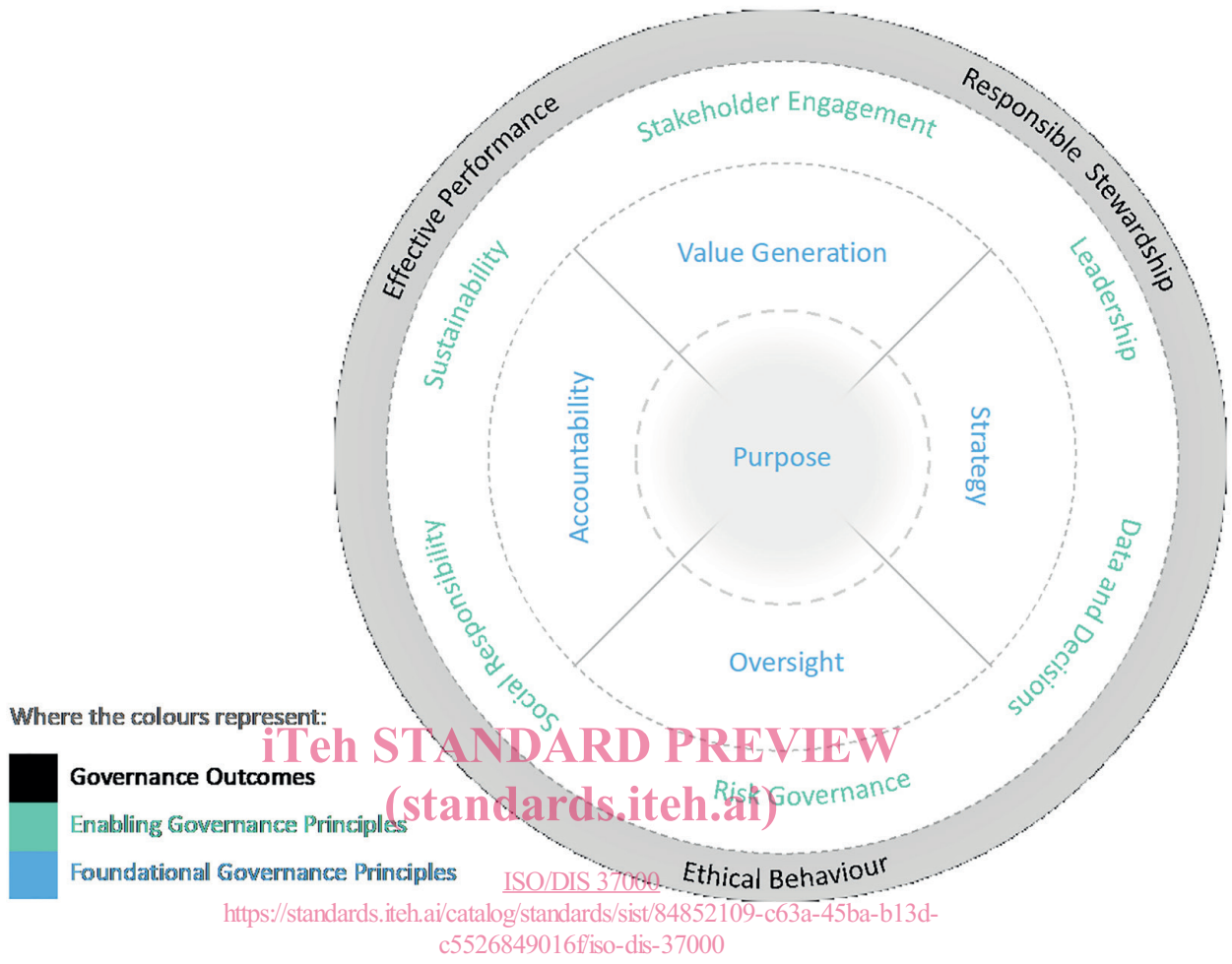


Figure 1 — Governance framework overview

iTeh STANDARD PREVIEW
(standards.iteh.ai)

ISO/DIS 37000

<https://standards.iteh.ai/catalog/standards/sist/84852109-c63a-45ba-b13d-c5526849016f/iso-dis-37000>

Guidance for the governance of organizations

1 Scope

This document gives guidelines for the governance of organizations. It provides key principles, relevant practices and a framework to guide governing bodies on how to meet their responsibilities so that organizations can fulfil their purpose. It is applicable to all organizations regardless of type, size, location, structure or purpose.

2 Normative references

There are no normative references in this document.

3 Terms and definitions

For the purposes of this document, the following terms and definitions apply.

ISO and IEC maintain terminological databases for use in standardization at the following addresses:

- ISO Online browsing platform, available at <https://www.iso.org/obp>
- IEC Electropedia: available at <http://www.electropedia.org/>

3.1 Governance and organization ISO/DIS 37000

3.1.1 <https://standards.iteh.ai/catalog/standards/sist/84852109-c63a-45ba-b13d-c5526849016f/iso-dis-37000>
governance of organizations

system by which an *organization* (3.1.3) is directed, overseen and held accountable for achieving its defined purpose

Note 1 to entry: This is a human based system.

3.1.2 **governance framework**

strategies, policies, decision-making structures and accountabilities through which the organization's governance arrangements operate

[SOURCE: ISO/IEC TR 38502:2017, 3.1]

3.1.3 **organization**

person or group of people that has its own functions with responsibilities, authorities and relationships to achieve its objectives

Note 1 to entry: The concept of organization includes, but is not limited to sole-trader, company, corporation, firm, enterprise, authority, partnership, charity or institution, or part or combination thereof, whether incorporated or not, public or private.

[SOURCE: ISO/IEC Directives Part 1:2019, Annex L 3.1]

3.1.4 **organizational entity**

organization (3.1.3) that has a distinct and independent existence

Note 1 to entry: In some cases, an organizational entity could be a legal entity.

3.1.5

governing documents

authoritative and unique set or collection of documents that establishes the organization's existence and *accountability* (3.2.2)

Note 1 to entry: Documents vary depending on type and location of the organization, and could include a deed of incorporation, articles of association and charter.

[SOURCE: BS 13500:2013, amended]

3.1.6

dynamic system

group of interrelated yet changing entities that rely on each other to exist

3.1.7

risk appetite

amount and type of risk that an *organization* (3.1.3) is willing to pursue or retain

[SOURCE: ISO Guide 73 - Risk management - Vocabulary]

3.1.8

due diligence

process through which *organizations* (3.1.3) proactively identify, assess, prevent, mitigate and account for how they address actual and potential adverse impacts as an integral part of decision-making and risk management

[SOURCE: ISO 20400:2017, 3.3, amended]

iteh STANDARD PREVIEW
(standards.iteh.ai)

3.2 Principles and outcomes

3.2.1

principle

fundamental truth, proposition or assumption that serves as foundations for a set of beliefs or behaviours or for a chain of reasoning

[SOURCE: BS 13500:2013, 2.14, amended]

3.2.2

accountability

obligation to another for the fulfilment of a responsibility

3.2.3

commons

shared resources that are available to everyone and limited in quantity

3.2.4

compliance

meeting all the organization's *compliance obligations* (3.2.5)

[SOURCE: ISO 19600:2014, 3.17]

3.2.5

compliance obligation

requirements that an *organization* (3.1.3) mandatorily has to comply with as well as those that an *organization* (3.1.3) voluntarily chooses to comply with

[SOURCE: ISO 19600:2014, 3.16]

3.2.6**ethical behaviour**

behaviour that is in accordance with accepted *principles* (3.2.1) of right or good conduct in the context of a particular situation, and consistent with international norms of behaviour

[SOURCE: ISO 26000:2010, 2.7]

3.2.7**organizational policy**

position set by the *governing body* (3.3.3) providing intentions and guidance related to the purpose and strategic direction of the *organization* (3.1.3)

3.2.8**organizational purpose**

organization's reason to exist which guides its performance objectives and provides clear context for daily decision-making by relevant *stakeholders* (3.3.1)

3.2.9**organizational values**

beliefs about socially or personally desirable outcomes or actions defined by the organization as good and important, to be explicitly or implicitly shared and applied by the *organization* (3.1.3)

3.2.10**social responsibility**

responsibility of an *organization* (3.1.3) for the impacts of its decisions and activities on society and the environment, through transparent and *ethical behaviour* (3.2.6) that:

- contributes to *sustainable development* (3.2.13), including the health and the welfare of society;
- takes into account the expectations of *stakeholders* (3.3.1);
- is in *compliance* (3.2.4) with applicable law and consistent with international norms of behaviour; and
- is integrated throughout the *organization* (3.1.3) and practised in its relationships.

Note 1 to entry: Activities include products, services and processes.

Note 2 to entry: Relationships refer to an organization's activities within its sphere of influence.

[SOURCE: ISO 26000:2010, 2.18]

3.2.11**stakeholder engagement**

activity undertaken to create opportunities for dialogue between an *organization* (3.1.3) and one or more of its *stakeholders* (3.3.1), with the aim of providing an informed basis for the organization's decisions

[SOURCE: ISO 26000:2010, 2.21]

3.2.12**sustainability**

state of the global system, including environmental, social and economic aspects, in which the needs of the present are met without compromising the ability of future generations to meet their own needs

Note 1 to entry: The environmental, social and economic aspects interact, are interdependent and are often referred to as the three dimensions of sustainability.

Note 2 to entry: Sustainability is the goal of *sustainable development* (3.2.13).

[SOURCE: ISO Guide 82:2014, 3.1]