ISO 37000
GOVERNANCE OF ORGANIZATIONS

–Notes accompanying [Ryerson University CSR Institute](#)
"in conversation" session (December 15, 2021)

Dr Victoria Hurth

Co-Convenor TC309/WG1

THE INTERNATIONAL
STANDARD ON GOVERNANCE
OF ORGANIZATIONS

ISO Technical Committee 309 – Governance of Organizations

INTRODUCTION

1. The evolving organizational governance landscape

2. Introducing ISO 37000

3. ISO 37000 principles overview

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 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 of an organization on 'Environmental, Social and Governance' matters - is increasingly expected by investors and all 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."

The Shifting Governance Reporting Landscape

GSSB, ISSB

The **Global Sustainability Standards Board (by GRI)** has been set up as the de-facto global sustainability reporting forum

The the newly launched **International Sustainability Standards Board (ISSB)** sits under the International Financial Reporting Standards (IFRS) attempts to bring sustainability reporting within the formal financial reporting landscape

TCFD and TFND

The 2017 **Task Force on Climate-Related Financial Disclosures (TCFD)** issues recommendations on climate-related financial disclosure and guides companies in allocating assets environmental-friendly. This is being closely followed by the **Task Force on Nature-Related Financial Disclosures (TFND)**.

ESRS and CSRD

The EU's Sustainability Reporting Standards (ESRS) will be written by European Financial Reporting Advisory Group **(EFRAG)** will develop the standards and enacted through the European Union Corporate Sustainability Reporting Directive **(CSRD)**. This advances the NFRD and mandates large **companies** to **disclose sustainability information** that **impacts both itself and others**, including diversity, human rights, anti-corruption and bribery.

The Shifting Governance Reporting Landscape

GSSB, ISSB

The **Global Sustainability Standards Board (by GRI)** has been set up as the de-facto global sustainability reporting forum

The the newly launched **International Sustainability Standards Board (ISSB)** sits under the International Financial Reporting Standards (IFRS) attempts to bring sustainability reporting within the formal financial reporting landscape

TCFD and TFND

The 2017 **Task Force on Climate-Related Financial Disclosures (TCFD)** issues recommendations on climate-related financial disclosure and guides companies in allocating assets environmental-friendly. This is being closely followed by the **Task Force on Nature-Related Financial Disclosures (TFND).**

ESRS and CSRD

The EU's Sustainability Reporting Standards (ESRS) will be written by European Financial Reporting Advisory Group **(EFRAG)** will develop the standards and enacted through the European Union Corporate Sustainability Reporting Directive (**CSRD**). This advances the NFRD and mandates large **companies to disclose sustainability information that impacts both itself and others,** including diversity, human rights, anti-corruption and bribery.

The Shifting Governance Reporting Landscape

GSSB, ISSB

The **Global Sustainability Standards Board (by GRI)** has been set up as the de-facto global sustainability reporting forum

The the newly launched **International Sustainability Standards Board (ISSB)** sits under the International Financial Reporting Standards (IFRS) attempts to bring sustainability reporting within the formal financial reporting landscape

TCFD and TFND

The 2017 **Task Force on Climate-Related Financial Disclosures (TCFD)** issues recommendations on climate-related financial disclosure and guides companies in allocating assets environmental-friendly. This is being closely followed by the **Task Force on Nature-Related Financial Disclosures (TFND)**.

ESRS and CSRD

The EU's Sustainability Reporting Standards (ESRS) will be written by European Financial Reporting Advisory Group **(EFRAG)** will develop the standards and enacted through the European Union Corporate Sustainability Reporting Directive (**CSRD**). This advances the NFRD and mandates large **companies to disclose sustainability information that impacts both itself and others,** including diversity, human rights, anti-corruption and bribery.

How to make sense of all of this?

Governance Foundations

All organizations are created to help people come together to achieve a shared goal

Governance provides the direction, accountability and oversight of organizations so that they are clear about that goal and achieve it in the way intended

Governance until now has worked to optimizing financial benefit to the organization (including members) – self-interest is 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 of firms and their governing bodies is rife and trust is low increasing the costs of capital allocation (financial and otherwise) and reduces innovation and efficiency

The New Governance Norm

Views about organizations and their governance are changing fast to:
- existing for a purpose aligned with society's long-term wellbeing (ends)
- whilst protecting the social and environmental systems that underpin this wellbeing (means)
- make decisions in a innovative, prudent and ethical manner (mode)

Southern Africa has been leading the way with the King Code. ISO 37000 extends and globalises this new norm.

How to make sense of all of this?

Governance Foundations

All organizations are created to help people come together to achieve a shared clear goal

Governance provides the direction, accountability and oversight of organizations so that they achieve that goal in the way intended

Governance until now has assumed a goal of optimizing financial benefit to the organization (including members) – self-interest is 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 of firms and their governing bodies is rife and trust is low increasing the costs of capital allocation (financial and otherwise) and reduces innovation and efficiency

The New Governance Norm

Views about organizations and their governance are changing fast to:
- existing for a purpose aligned with society's long-term wellbeing (ends)
- whilst protecting the social and environmental systems that underpin this wellbeing (means)
- make decisions in a innovative, prudent and ethical manner (mode)

Southern Africa has been leading the way with the King Code. ISO 37000 extends and globalises this new norm.

How to make sense of all of this?

Governance Foundations

All organizations are created to help people come together to achieve a shared clear goal

Governance provides the direction, accountability and oversight of organizations so that they achieve that goal in the way intended

Governance until now has assumed a goal of optimizing financial benefit to the organization (including members) – self-interest is 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 of firms and their governing bodies is rife and trust is low increasing the costs of capital allocation (financial and otherwise) and reduces innovation and efficiency

The New Governance Norm

Views about organizations and their governance are changing fast to:

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

Southern Africa has been leading the way with the King Code. ISO 37000 extends and globalises this new norm.

Introducing ISO 37000

The New Benchmark for Organizational Governance

ISO 37000 – The New Benchmark for Organizational Governance

ISO 37000 key stats

Scoping: 2016-2017

Development: 2017-2021

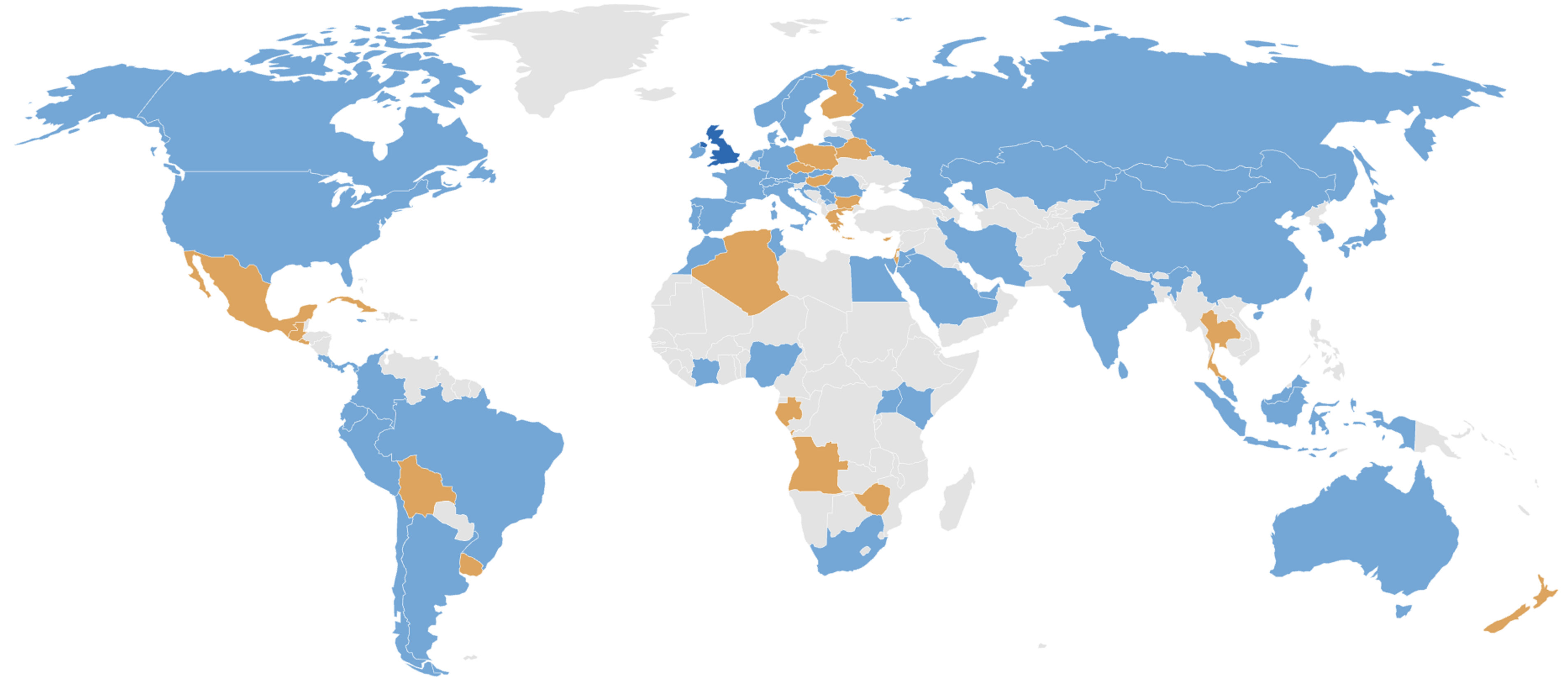**Countries involved:** 77 countries

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.

PARTICIPATING MEMBERS (55) OBSERVING MEMBERS (23)

Benefits of ISO 37000 at a glance

IT IS THE FIRST GLOBAL STANDARD ON GOVERNANCE OF ORGANIZATIONS.
Published on 14.09.2021, ISO 37000 is the **pioneer guideline** on the topic for all organizations.

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

IT IS FUNDAMENTAL for **Values**, **Ethics**, **Accountability**, the **Internal Control System**, **Assurance** and **Risk Governance**.

IT 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

IT IS INTERNATIONAL and was developed by **77 countries** and **24 international organizations**. It is the **most authoritative global document on good governance** of all organizations.

Benefits of ISO 37000 at a glance

IT IS THE FIRST GLOBAL STANDARD ON GOVERNANCE OF ORGANIZATIONS. Published on 14.09.2021, ISO 37000 is the **pioneer guideline** on the topic for all organizations.

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

IT IS FUNDAMENTAL for **Values, Ethics, Accountability**, the **Internal Control System**, **Assurance** and **Risk Governance.**

IT 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

IT IS INTERNATIONAL and was developed by **77 countries and 24 international organizations.** It is the **most authoritative global document on good governance** of all organizations.

ISO

Benefits of ISO 37000 at a glance

IT IS THE FIRST GLOBAL STANDARD ON GOVERNANCE OF ORGANIZATIONS. Published on 14.09.2021, ISO 37000 is the **pioneer guideline** on the topic for all organizations.

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

IT IS FUNDAMENTAL for **Values**, **Ethics**, **Accountability**, the **Internal Control System**, **Assurance** and **Risk Governance**.

IT 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

IT IS INTERNATIONAL and was developed by **77 countries and 24 international organizations.** It is the **most authoritative global document on good governance of all** organizations.

ISO

Benefits of ISO 37000 at a glance

IT IS THE FIRST GLOBAL STANDARD ON GOVERNANCE OF ORGANIZATIONS. Published on 14.09.2021, ISO 37000 is the **pioneer guideline** on the topic for all organizations.

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

IT IS FUNDAMENTAL for **Values**, **Ethics**, **Accountability**, the **Internal Control System**, **Assurance** and **Risk Governance**.

IT 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

IT IS INTERNATIONAL and was developed by **77 countries and 24 international organizations**. It is the **most authoritative global document on good governance of all organizations**.

ISO

Benefits of ISO 37000 at a glance

IT IS THE FIRST GLOBAL STANDARD ON GOVERNANCE OF ORGANIZATIONS. Published on 14.09.2021, ISO 37000 is the **pioneer guideline** on the topic for all organizations.

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

IT IS FUNDAMENTAL for **Values, Ethics, Accountability**, the **Internal Control System, Assurance** and **Risk Governance**.

IT 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

IT IS INTERNATIONAL and was developed by **77 countries and 24 international organizations.** It is the **most authoritative global document on good governance of all organizations.**
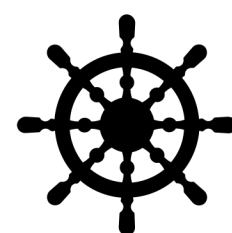
Integrated governance

The standard provides terminological clarity, consistency, and requisite differentiation across an **integrated organizational governance framework**. This strengthens **culture**, **resilience**, and **value generation** and facilitates the achievement of **purpose** and **sustainable development**.
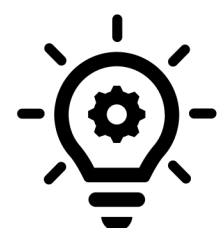
PURPOSE, STAKEHOLDERS, SUSTAINABILITY	STRATEGY	GOVERNING BODY, DELEGATION OF POWER, ACCOUNTABILITY
VALUES, ETHICS, PROCESSES, PERFORMANCE MEASUREMENT	INTEGRATION OF THE HEALTH OF SOCIAL AND NATURAL ENVIRONMENTAL SYSTEMS	CONTROL SYSTEM, ASSURANCE, RISK GOVERNANCE

ISO

Governance Architecture

SCOPE OF ISO TC309

EXAMPLE RELATED STANDARDS BEYOND ISO TC309

GOVERNANCE

ISO 37000 - Governance of organizations

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

Etc.

MANAGEMENT

ISO 37301 - Compliance management systems

ISO 37001 - Anti-bribery management systems

ISO 37302 - Whistleblowing management systems

ISO 31000 – Risk management

ISO 27000 - IT Security management systems

ISO 31010 - Risk assessment Techniques

ISO 26000 - Corporate Social Responsibility

Etc.

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

# ISO 37000 Principles Overview

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.

4 Foundational governance principles

1 Primary governance principle

6 Enabling governance principles

Key **governance outcomes**

The Primary and the Foundational principles

1. Purpose

2. Value Generation

3. Strategy

4. Accountability
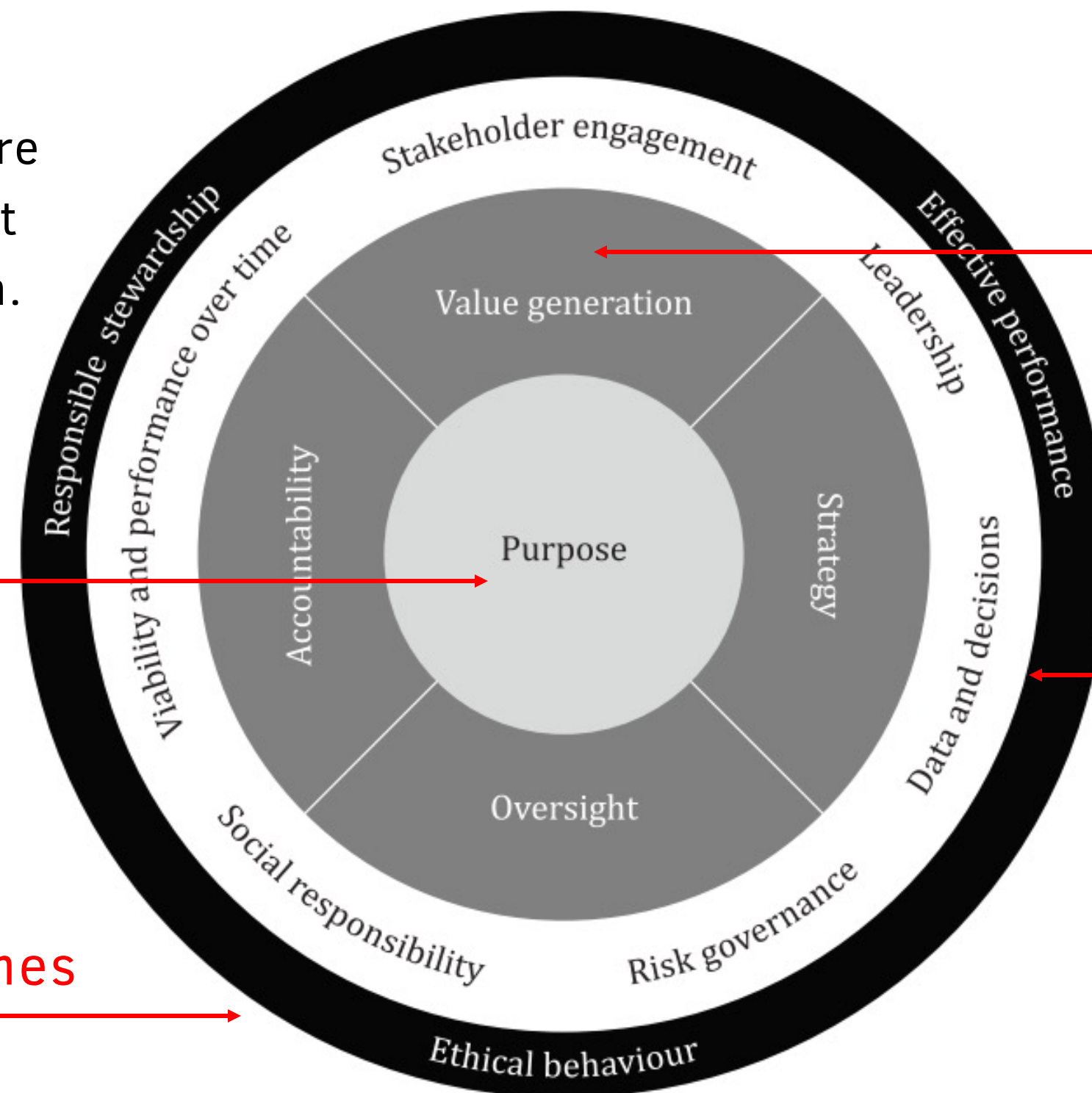
5. Oversight
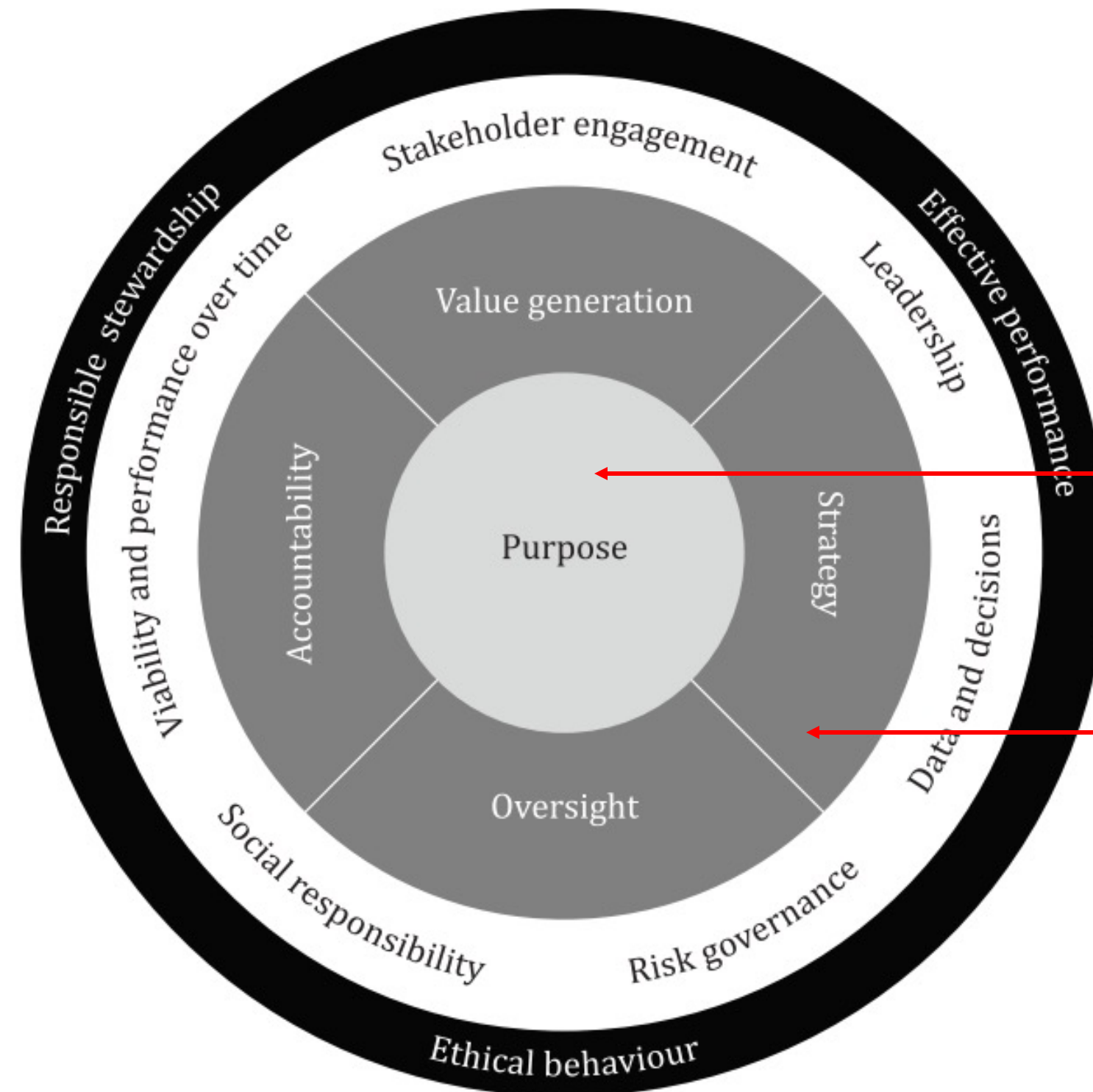
1 Primary governance principle

4 Foundational governance principles

The Primary Principle

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.

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

A Foundational Principle

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.

A Foundational Principle

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, engages in strategic planning and dynamically steers the strategy through personal, direct involvement in the implementation of all governance principles.
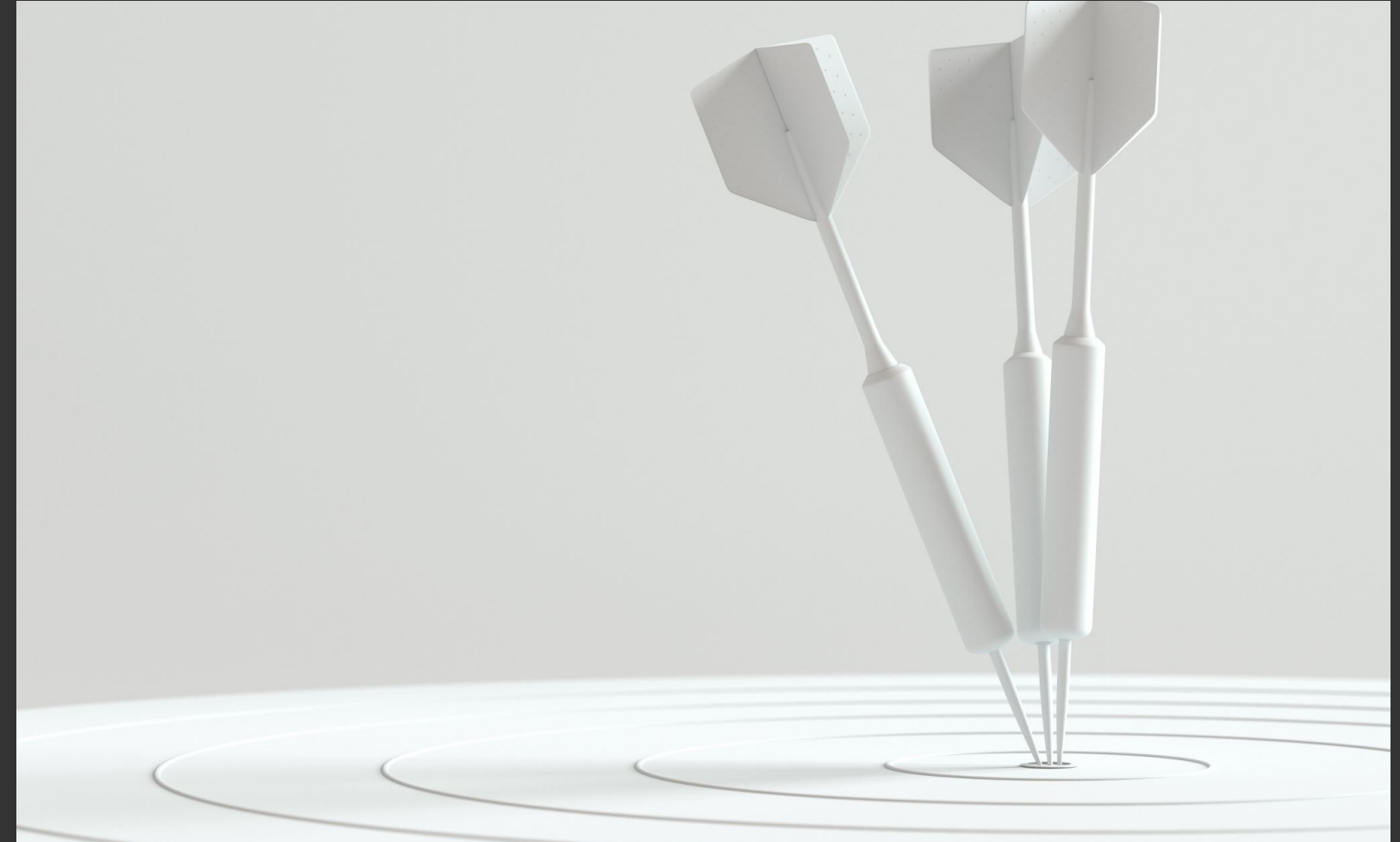
The organizational strategy reflects the **governing body's intentions** regarding the **organization's achievement of the strategic outcomes** within its changing context.

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 not "above the law" and neither are those to whom the governing body has delegated. The standard articulates that **the governing body is responsible for and accountable to the organization.** Accountability at all levels is a key aspect of governance.

5. Oversight

ISO 37000 outlines the governing body's role and responsibility to oversee and ensure the right organizational controls.

For the first-time ever clarity is given at a global level on the internal control system and the assurance processes.


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

An Enabling Principle
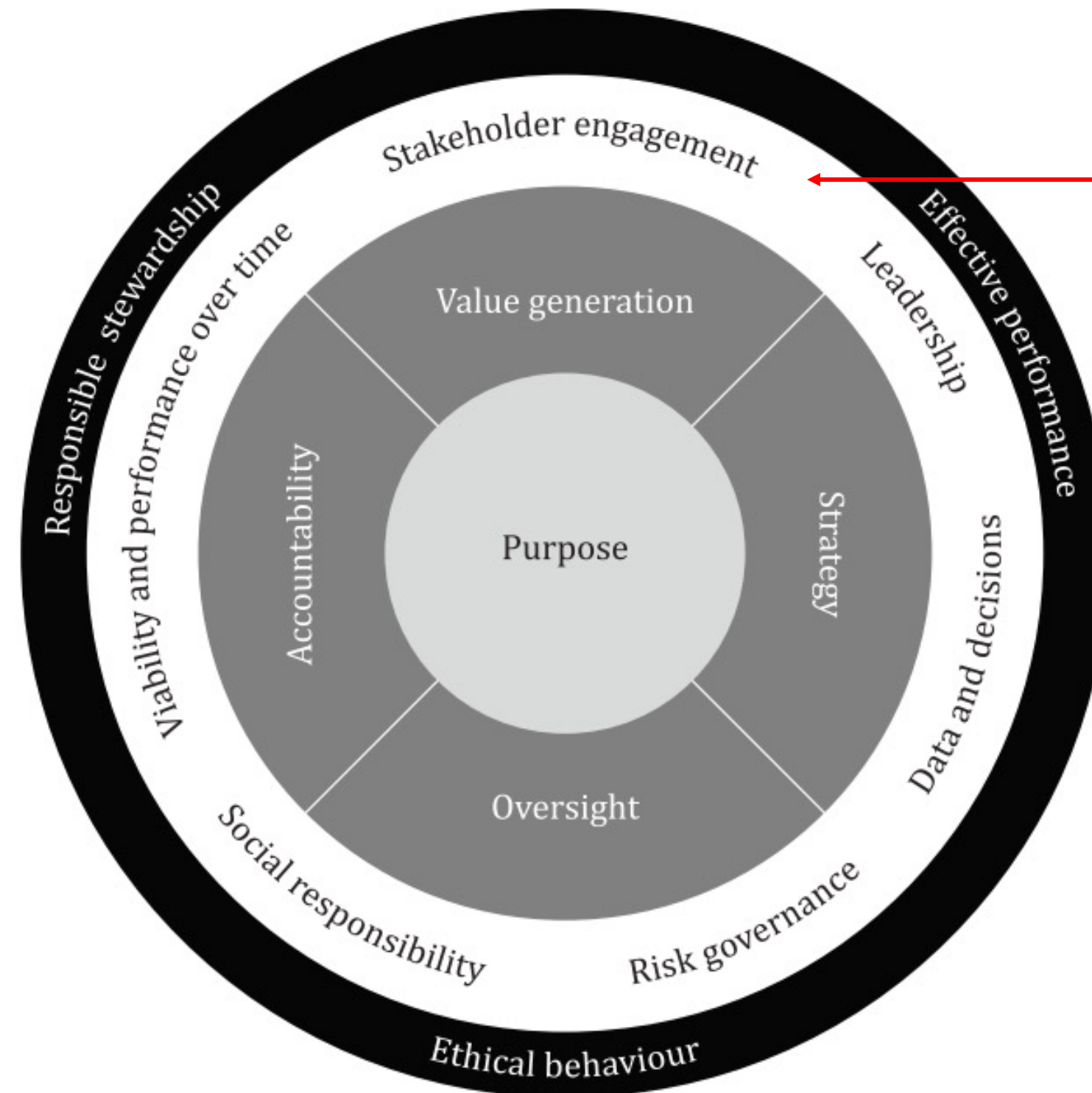
6. Stakeholder engagement

ISO 37000 outlines **why and how** the governing body should **understand its stakeholders**, establish clear criteria to determine the relevance of stakeholder expectations, ensure **effective relation-ships are established and maintained**, and that **expectations** become an **effective part of organizational decision – making**.

Member, reference, and relevant stakeholder engagement are key.
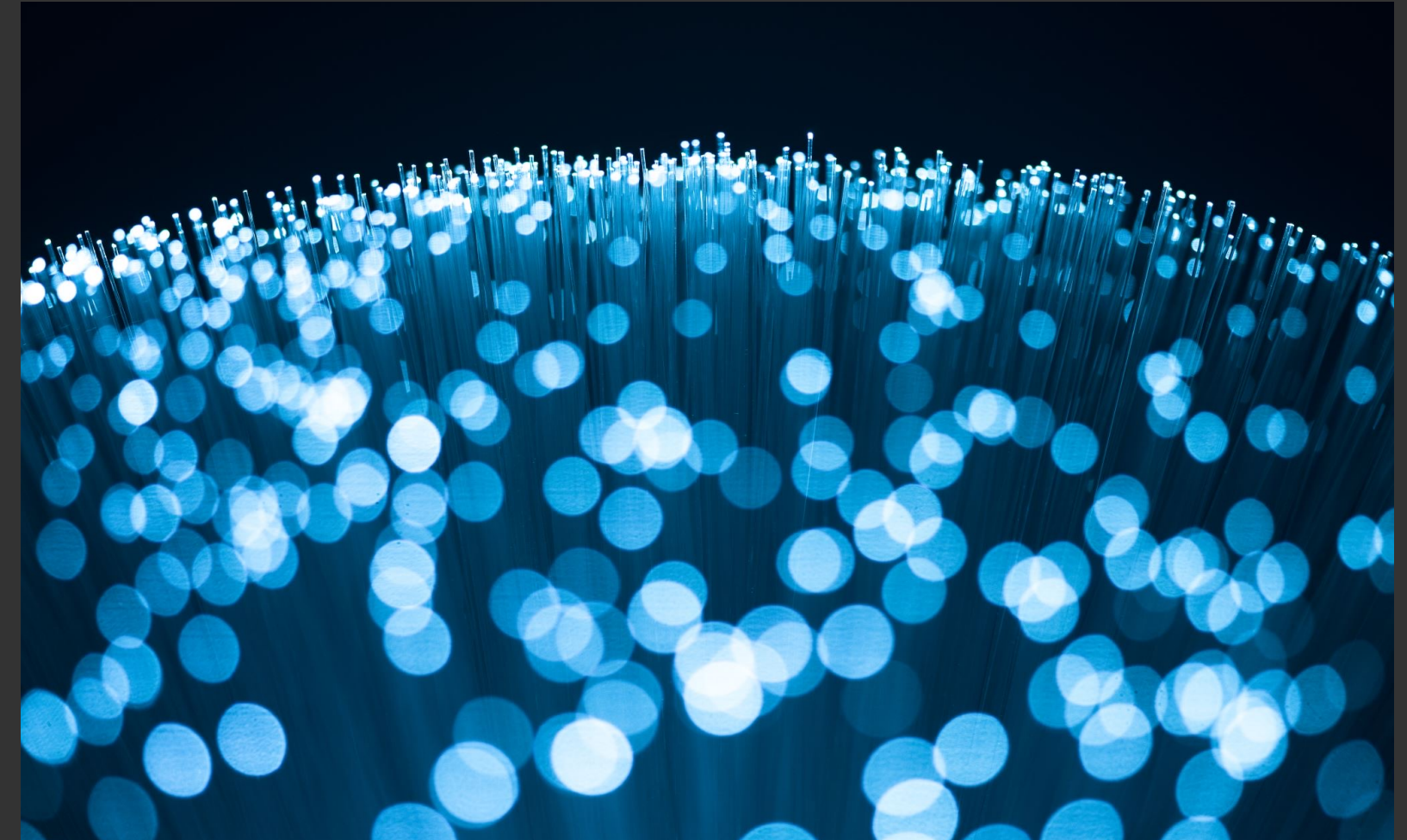
An Enabling Principle

7. Leadership

ISO 37000 clarifies that the **governing body should 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 organizational culture.

The governing body should lead by example to create a **positive culture**, **set the tone for others, and engender trust and cooperation** among the organization's stakeholders.

An Enabling Principle

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**.

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.

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.

An Enabling Principle

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 are used over time. It ensures that the organization **protects** and **restores** the key resources and systems that it depends on or affects.

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

ISO 37000 – a tool for all organizations everywhere

PLEASE GET INVOLVED AND LEAN ON ISO 37000 FOR THE CHANGES YOU WANT TO SEE

is the **global benchmark for good governance** by all organizations. It creates **transparency** and **reduces complexity** and **cost** for all organizations.

is the tool to align all **organizations world-wide** to direct their governance to their **meaningful purpose, engagement with all stakeholders and contribution to a sustainable world** which respects the **needs of future generations**

promotes all organizations' **focus on purpose, values, ethos, and sustainability**.

ISO

Thank you!