
Governance of organizations — Guidance

Gouvernance des organismes — Recommandations



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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 of the voluntary nature of standards, 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 www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 309, *Governance of organizations*.

Any feedback or questions on this document should be directed to the user's national standards body. A complete listing of these bodies can be found at www.iso.org/members.html.

Introduction

The pursuit of purpose is at the centre of all organizations and is, therefore, of primary importance for the governance of organizations. Good governance of organizations lays the foundation for the fulfilment of the purpose of the organization in an ethical, effective and responsible manner in line with stakeholder expectations. The organizational outcomes of this good governance are:

- effective performance;
- responsible stewardship;
- ethical behaviour.

Good governance means that decision-making within the organization is based on the organization's ethos, culture, norms, practices, behaviours, structures and processes. Good governance creates and maintains an organization with a clear purpose that delivers long-term value consistent with the expectations of its relevant stakeholders. The implementation of good governance is based on leadership, values, and a framework of mechanisms, processes and structures that are appropriate for the organization's internal and external context.

This guidance is directed at governing bodies and governing groups but can also be useful to those that support them in discharging their duties such as:

- personnel;
- governance practitioners;
- other interested stakeholders.

Organizations that use this guidance will be better equipped to understand the expectations of their stakeholders and to apply the creativity, culture, principles and performance required to deliver the objectives of the organization according to its purpose and values. Their governing bodies will hold management to account and ensure that the culture, norms and practices in the organization align with the organization's purpose and values.

This guidance sets out governance principles that will assist governing bodies in discharging their duties effectively, prudently and efficiently, while enhancing trust, inclusion, accountability, legitimacy, responsiveness, transparency and fairness. Governing bodies that apply this guidance can expect that the organizations they govern will realize effective performance, responsible stewardship and ethical behaviour.

When organizations use this document, stakeholders across countries and sectors can have increased confidence that the governing bodies of these organizations are responsible, accountable, fair and transparent, they act with probity and make decisions which are risk-based and informed by:

- credible information and reliable data;
- stakeholders' expectations;
- compliance obligations;
- ethical and societal expectations, including those anticipated for future generations;
- impacts, and reliance, on the natural environment.

The benefits of good governance can apply to:

- a) the organization itself;
- b) member stakeholders;
- c) other stakeholders.

Examples of the value generated by good governance include the following.

- Improved long-term stakeholder value generation: Good governance promotes effective oversight of the organization and thus helps to ensure alignment between the organizational purpose, strategy, activities, and the United Nations Sustainable Development Goals (UN SDGs)^[15]. This improves long-term stakeholder value generation.
- Effective resource stewardship: Effective stakeholder engagement, protected disclosures (whistleblowing) and mediation, appropriate executive authority limits, consistent terminology, transparent decision-making and accountability, all contribute to improved stakeholder confidence that the organization is stewarding resources in a responsible manner.
- Improved organizational resilience and performance: The organization is able to remain resilient when negatively impacted by its changing context and realize valuable opportunities as a result of these changes via good governance practices. These practices include adapting strategy, ethical leadership, effective succession planning, clear delegation of authority and responsibilities, and oversight of risk management and internal controls.
- Improved decision-making effectiveness: With the increasing rate of change and complexity within which organizations operate, good governance promotes holistic consideration of the organization, its purpose, and the context within which it operates, resulting in improved decision-making. Clarity of accountability, responsibilities and delegated authority are good governance practices, which increase the speed of organizational decision-making, action and outcomes.
- Improved personnel composition and retention: People who are motivated not only by financial interests, but also by the organizational purpose and by intangible organizational values such as fairness and transparency, are attracted to organizations demonstrating good governance practices, such as effective and ethical leadership.
- Increased investor and creditor confidence: Effective leadership and oversight, holistic decision-making, transparency and effective stakeholder relations, sustainability considerations and certainty of compliance management all contribute to increased confidence in the organization. In turn, this can improve access to capital and reduce the cost of capital.
- Increased value of intangible assets: Transparency with stakeholders and responsible organizational behaviour (corporate citizenship) contribute to the value of the organization's intangible assets such as reputation, public image, public confidence and goodwill.

Finally, good governance includes actions by the governing body (e.g. creating governance policies) to direct their organizations to provide stakeholders with transparent, clear and concise reports and access to information. This allows regulators and society, through their duly appointed representatives, to evaluate the organization's positive and negative natural environmental, social and economic impacts. Good governance further affords stakeholders the opportunity to hold organizations to account, benchmark their results, highlight inappropriate practices, and monitor organizational impacts on society, the economy and the natural environment.

The governance of organizations is enabled by the application of principles that help the organization fulfil its organizational purpose and, in doing so, generate value for the organization and its stakeholders.

[Figure 1](#) provides an overview of the governance of organizations and the principles and governance outcomes outlined in this document. These components can already exist in full or in part within the organization. However, at times they need to be adapted or improved so that the governance of the organization remains effective, efficient, and appropriate for its unique and dynamic nature and context.

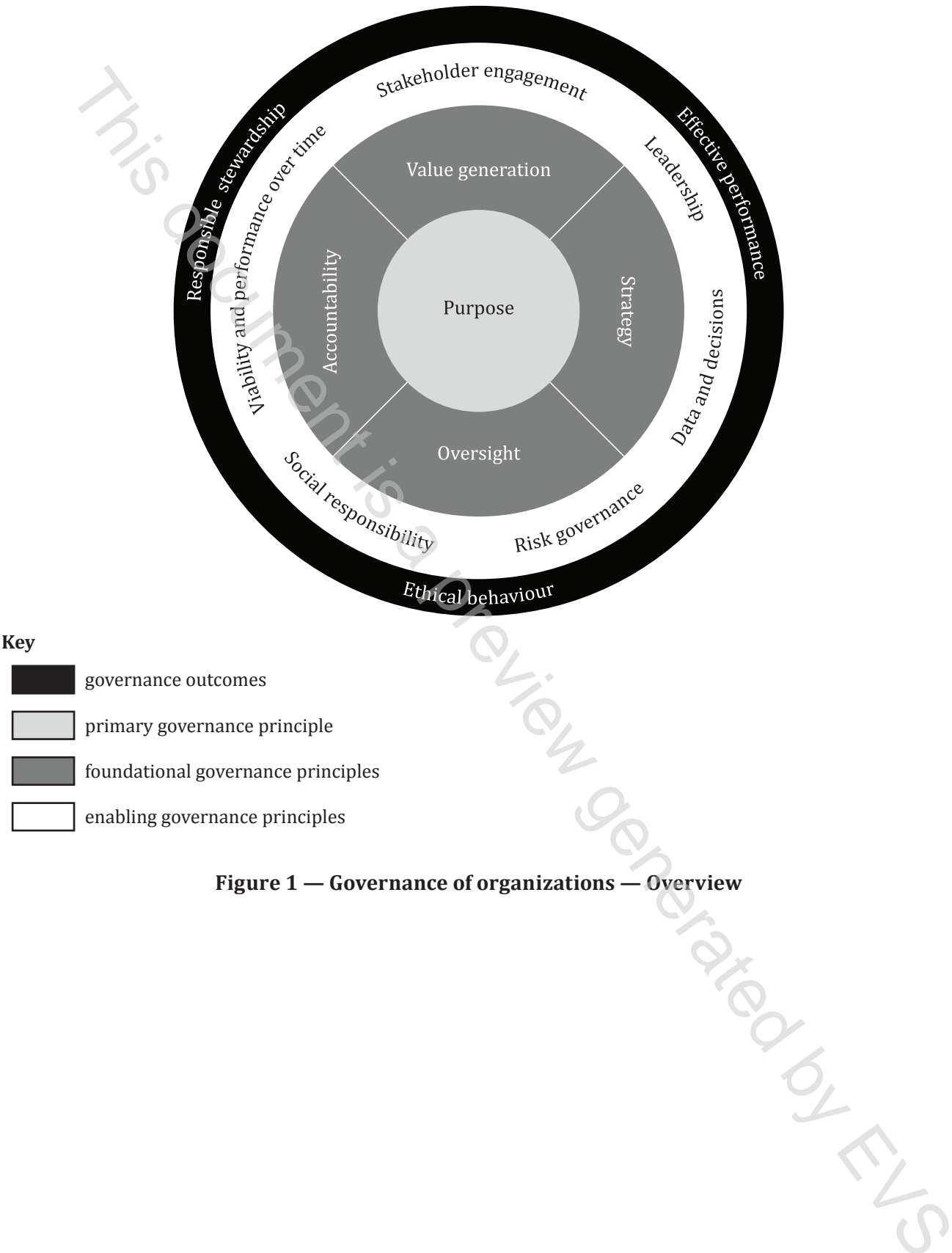


Figure 1 — Governance of organizations — Overview

Governance of organizations — Guidance

1 Scope

This document gives guidance on the governance of organizations. It provides principles and key aspects of practices to guide governing bodies and governing groups on how to meet their responsibilities so that the organizations they govern can fulfil their purpose. It is also intended for stakeholders involved in, or impacted by, the organization and its governance.

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

3.1.1

governance of organizations

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

3.1.2

organizational governance framework

strategies, *governance policies* (3.2.9), decision-making structures and *accountabilities* (3.2.2) through which the *organization's* (3.1.3) governance arrangements operate

3.1.3

organization

person or group of people that has its own functions with *responsibilities* (3.2.3), 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 37301:2021, 3.1, modified — Note 2 to entry has been deleted.]

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 can be a legal entity.