

DOES YOUR ORGANISATIONAL GOVERNANCE REFLECT YOUR ESG AMBITIONS?

December 2021 Edition

Good governance – the “G” of ESG – enables a responsible organisation to align its environmental and social ambitions with the fulfilment of its purpose. The publication of ISO Standard 37000, Governance of organizations, now provides an international blueprint for this, with guidelines on how to achieve sustainable long-term value.

1 A new, global standard for governance

ISO Standard 37000, Governance of organizations¹ (“ISO 37000”) was published on 14 September 2021. It’s the first global standard on good governance and provides a well-structured, comprehensive and easy to follow set of guidelines on which all organisations – regardless of size, type or location – can benchmark their governance systems.

2 The importance of ESG

In an age of unprecedented challenges, public opinion is more demanding of the way that individuals and organisations, including states and corporates, organise and conduct themselves.

The development of environmental, social and governance (“ESG”) principles means that organisations must consider their use of and impact on natural resources, their contribution to social development and the good governance they put in place to generate value for all stakeholders whilst considering the needs of future generations.

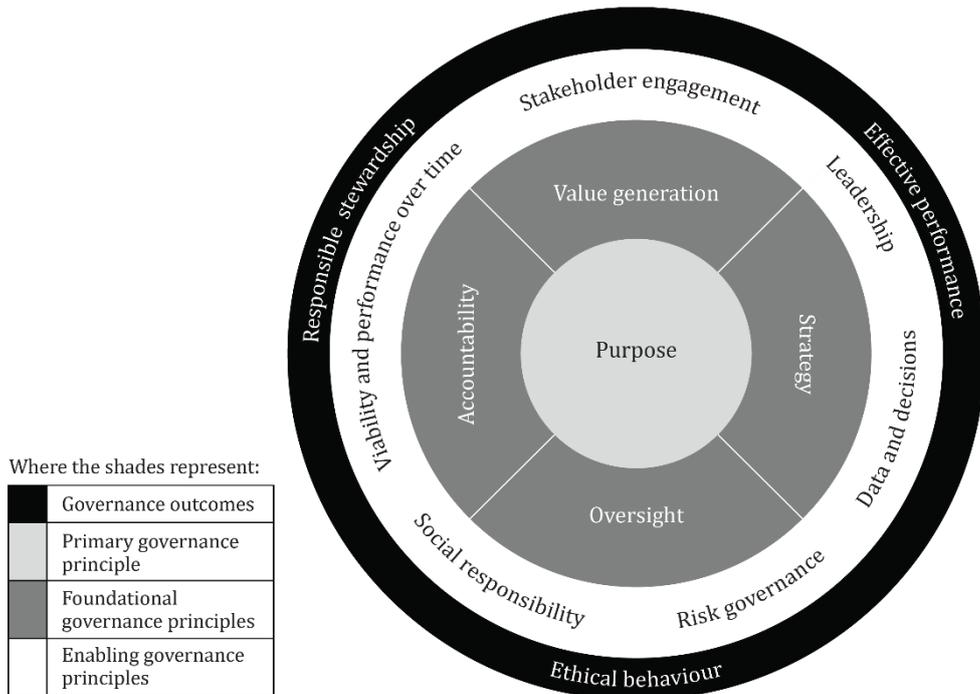
3 ISO Standard 37000 – a common language for governance

Governance rules may be legal requirements (“hard law”), or non-binding principles and standards – “soft law” that bridge the gap in countries where statutory governance rules are basic and/or non-reflective of ESG development.

¹ ISO 37000:2021, Governance of organizations – Guidance, Geneva, 2021, available here: <https://www.iso.org/standard/65036.html> (“ISO 37000”).

ISO 37000 streamlines this, by providing an international blueprint against which all organisations can benchmark their governance systems. (Click [here](#) to read more about this topic in our September 2021 CSR Newsletter Edition).

The standard has been developed by over 100 states and international organisations and is the first generally accepted global benchmark for good organisational governance. At the heart of good governance is *purpose*, the *meaningful reason to exist*. The foundational principles *value generation*, *strategy*, *accountability*, and *oversight* implement the purpose through the enabling principles, for instance *stakeholder engagement*, *leadership*, *risk governance* etc. to achieve *effective performance*, *responsible stewardship* and *ethical behaviour*. It provides a structural framework so that organisations can perform effectively, efficiently and ethically.



4 How Good is your Governance?

The following questions get to the heart of good organisational governance:

1. Can you explain in a few words what the purpose of your organisation is – i.e., what its meaningful reason to exist is?

ISO 37000: The governing body is responsible for defining and elaborating a meaningful, relevant organizational purpose as the reason the organization exists.

2. What organisational (ethical) values does the governing body² set and commit to?

ISO 37000: The values provide the foundation for the organization's culture. They are the beliefs about desirable outcomes or actions defined as good and important.

3. Do you know who your relevant stakeholders are and what their expectations are? Are they appropriately engaged, consulted and understood?

ISO 37000 outlines for instance why and how the governing body should understand its stakeholders and establish clear criteria to determine the relevance of stakeholder expectations.

4. Are the roles and responsibilities at all levels defined and communicated to all those involved and are those to whom power is delegated accountable?

The governing body should define the structures and roles involved in the governance of the organization, including their authority, responsibilities, performance and reporting requirements. And the governing body should demonstrate its accountability to the organization as a whole and hold to account those to whom it has delegated.

5. How does the governing body exercise effective oversight over the organisation?

Has the governing body ensured that an Internal Control System (ICS) consisting of a risk management system, a compliance management system and a system of financial controls is implemented? And does the governing body, through personal verifications, direct reports and private sessions with the heads of the control functions (risk management, compliance management, internal audit), external audit and effective whistleblowing mechanisms, assure itself that the governance system is appropriately designed and operating as intended?

² ISO 37000, Sect. 3.3.4, defines the governing body as “the person or group of people who have ultimate *accountability* for the whole *organization*.”

All organisations should be able to respond affirmatively to these questions. If not, they should adapt their governance. ISO 37000 has set the globally accepted benchmark that reflects the world's challenges and how they should be addressed by all organizations; it's now up to all organisations to use it to pursue value and performance in an ethical and sustainable manner.

For further information on best organisational governance please contact Daniel Lucien Bühr, Vivian Bertoluzzi, Warren Martin and Michael Neumann at LALIVE by telephone (+41 58 105 2000) or email (dbuhr@lalive.law; vbertoluzzi@lalive.law; wmartin@lalive.law or mneumann@lalive.law).

#isogovernancestandards #globalgovernance #esg #grc #isostandards #iso37000
#compliancemanagement #environment&climatechange #riskmanagement
#financialcontrols #governance #switzerlandgovernance #csr #corporateethics
#isoexpertcommittee #ungc #sustainability #sdg