

WIDE CIRCULATION DRAFT

BUREAU OF INDIAN STANDARDS
(DRAFT FOR COMMENTS ONLY)

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Governance of organization – Developing Indicators for effective governance

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NATIONAL FOREWORD

(Formal clauses to be added later on)

The text of the International Standard has been approved as suitable for publication as an Indian Standard without deviations. Certain conventions are, however, not identical to those used in Indian Standards. Attention is particularly drawn to the following:

- a) Wherever the words ‘International Standard’ appear referring to this standard, they should be read as ‘Indian Standard’.

In this adopted standard, reference appears to an International Standard for which Indian Standard also exist. The correspondence Indian standard, which is to be substituted in its place, is listed below along with degree of equivalent for the editions indicated:

<i>International Standard</i>	<i>Corresponding Indian Standard</i>	<i>Degree of Equivalence</i>
ISO 37000:2021, Governance of organizations — Guidance	IS/ISO 37000: 2021, Governance of Organizations - Guidance	Identical

Note: The technical content of the document is not available on website. For details, please refer the corresponding ISO/ 37005: 2024 or kindly contact:

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Scope

This document provides guidance to governing bodies on how to approach the development and use of indicators in their governing activities.

This document is primarily written for use by governing bodies, it is also written to be of relevance to a range of other stakeholders inside and outside of the organization to help them improve the quality of the information on which they assess and make decisions regarding the organization's governance.

It is applicable to all organizations regardless of type, size, location, structure or purpose. This document does not cover indicators of effective governance.

Introduction

The purpose of indicators is to enable measurement that helps an organization to establish, implement, maintain, and improve an effective governance framework and the conditions and practices enabling the organization to fulfil its purpose. By following the guidance in this document organizations can realize the governance principles as set out in ISO 37000.

This document provides a means to assess how an organization's governance framework contributes most effectively to the fulfilment of the organization's purpose. It covers:

- a taxonomy for the classification of different types of indicators;
- the context in which they are used, including the purpose of the organization and its appetite for risk given impacts on all stakeholders;
- the risk appetite and tolerance of the organization and stakeholders;
- the limitations of indicators;
- choosing or developing meaningful indicators.

The role of an organization's governing body is to establish, implement and maintain the organizational governance framework, conditions and practices so that the organization can fulfil its purpose. In performing this role the governing body has to make decisions and choose between available options, as many times there will not be one solution. The indicators used will be part of the process to generate those options and part of the mechanism to guide the choice between options. Governing bodies should measure performance against objectives, which requires indicators. ISO 37000 helps to create cross-sector international consensus on the role and results of organizational governance. However, the organizational outcomes of organizational governance depend on the decisions made by governing bodies, the information used to support those decisions as well as their execution. These decisions mean making choices between the intended

performance of alternative options for the same organizational purpose. A mechanism is required to compare these options, in order to choose the optimal one for the specific context.

There is always the possibility that the choice made between options does not represent the "best" choice or that the execution is not effective. Effective governance therefore requires an understanding of appropriate indicators in the context of that possibility and the risk appetite of the governing body. Effective consideration of indicators linked to organizational purpose, stakeholder issues, materiality and risk appetite/tolerance reduces the extent to which a governing body can make decisions without the full range of material information. It also enhances a dynamic monitoring approach.

Indicators are used and understood in various ways. Ultimately the governing body is seeking to achieve the organizational purpose in the way intended. If this is done well then over time the governing body would expect its organizational purpose and financial results to become aligned with sustainable development and well-being as it considers the principles in ISO 37000, including social responsibility and viability and performance over time. The pursuit of a purpose with consequences that detracts from ISO 37000 principles would neither be responsible nor viable.

Unless otherwise indicated, all "principles" in this document refer to the principles in ISO 37000.