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Project, programme and portfolio management — Guidance on governance

*Management de projets, programmes et portefeuilles —
Recommandations sur la gouvernance*



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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 on 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 the following URL: www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 258, *Project, programme and portfolio management*.

This corrected version of ISO 21505:2017 incorporates the correct Figure 5.

Introduction

This document describes the context of, and guidelines for, the governance of projects, programmes and portfolios.

The governance of projects, programmes and portfolios includes, but is not limited to, areas of governance that relate to projects, programmes and portfolios. Organizations can use this document for the governance of any one or all of their projects, programmes, or portfolios.

This document is intended to be used by any organization and any group of organizations for projects, programmes or portfolios of any size and complexity, but might require tailoring to the specific needs of the organization. In addition, this document is designed to provide guidance for governing bodies and for executive and senior management that can have governance responsibilities within their organizations.

This document refers to the governance of projects, governance of programmes and governance of portfolios, which is intended to be interchangeable with the terms project governance, programme governance and portfolio governance. However, the governance for a single project or programme can differ from the governance of multiple projects or programmes.

Following the guidelines for governance of projects, programmes and portfolios identified in this document can contribute to:

- improved accountability and transparency;
- improved engagement with stakeholders;
- reduced organizational risk;
- increased likelihood of achieving sustainable results, benefits and enhanced opportunities;
- improved communication;
- improved clarity regarding values, ethics, and guiding principles.

Project, programme and portfolio management — Guidance on governance

1 Scope

This document describes the context in which the governance of projects, programmes and portfolios is conducted and provides guidance for the governance of projects, programmes and portfolios. This document can also be used for assessment, assurance or verification of the governance function for projects, programmes or portfolios.

NOTE Throughout this document, the term “portfolio” is used to mean “project and programme portfolio” and the term “programme” is used to mean a “programme of interrelated projects and other related work”.

This document is intended for governing bodies and executive and senior management who influence, impact or make decisions regarding the governance of projects, programmes and portfolios. It is also intended to provide guidance to those who direct projects, programmes and portfolios, such as sponsors, steering committees, portfolio owners and the project management office.

It also can be used by project, programme and portfolio managers, as well as stakeholders involved in the development and implementation of projects, programmes and portfolios. Other audiences who can have an interest in this topic include those advising, informing, assisting or working within projects, programmes and portfolios.

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 <http://www.iso.org/obp>
- IEC Electropedia: available at <http://www.electropedia.org/>

3.1

governance

principles, policies and framework by which an organization is directed and controlled

3.2

stakeholder

person, group or organization that has interests in, or can affect, can be affected by, or perceive itself to be affected by, any aspect of a project, programme, portfolio or the organization's governance

3.3

risk

uncertain event or set of events with a potential positive or negative impact

3.4

benefit

created advantage, value or other positive effect

3.5 governing body

person, group or entity accountable for the governance of an organization, organizations or a part of an organization

4 Context

4.1 Organizational governance

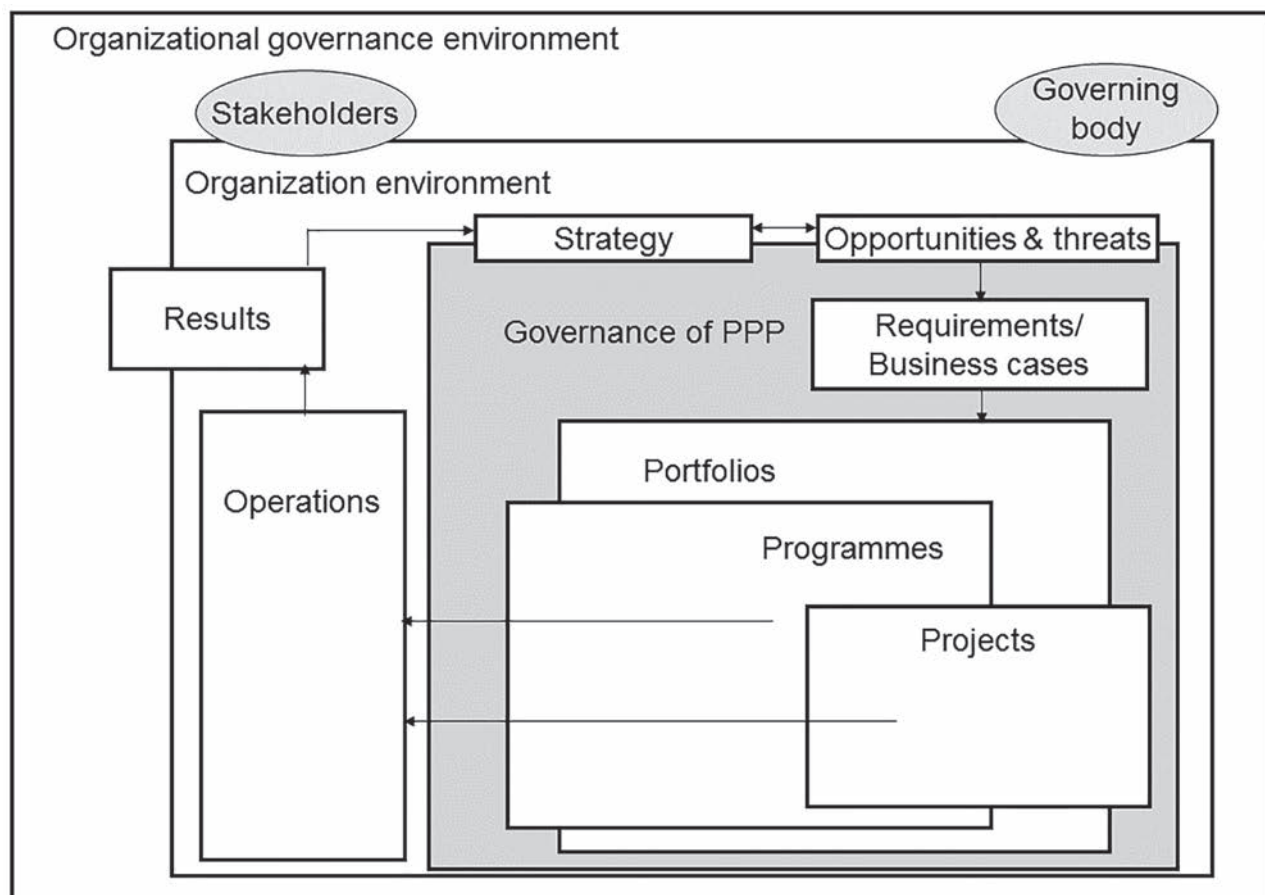
Organizational governance is the directing of a permanent or temporary organization through the establishment of the governance framework. Governing bodies, executive and senior management have the responsibility for governing their organization to achieve both accountability and performance.

An organization's governance is based on the specific priorities of the organization and spans across the range of sometimes conflicting stakeholder interests and may be influenced by the wider governance environment.

The elements of organizational governance that address projects, programmes and portfolios should be:

- an integrated part of the permanent or temporary organization's overall governance framework;
- designed to support the organization's principles, values and strategic objectives;
- designed to optimize the benefits created by investing resources in selected projects, programmes and portfolios.

One possible relationship between organizational governance and governance of projects, programmes and portfolios is shown in [Figure 1](#).



The shaded box represents the governance framework discussed in [Clause 4](#).

Arrows are a generalized representation of the flow of knowledge, documents, deliverables and other artefacts.

PPP is the acronym in the diagram for projects, programmes and portfolios.

Figure 1 — Example of context of governance of projects, programmes and portfolios (PPP)

4.2 Governing bodies

Several different governing bodies may exist within an organization, depending on organizational needs and the projects, programmes and portfolios being governed.

Each governing body may have accountability and responsibility for:

- a) complying with the objectives, values and principles established by the organization's overall governing body;
- b) addressing the requirements of stakeholders;
- c) complying with organizational and legal requirements;
- d) developing and maintaining policies, procedures and processes;
- e) setting objectives for, and providing direction to the organizational entities being governed;
- f) delegating responsibilities to, empowering and supporting the managers:
 - delegations should balance authority and responsibility for the required actions,
 - the governing body remains accountable;
- g) monitoring conformance to and achievement of the objectives;
- h) providing final decision-making on escalated critical issues.

4.3 Differences between governance and management

Governance authorizes, directs, empowers, provides oversight and limits the actions of management.

Management should work within the constraints set by the organization's governance to achieve the organization's objectives.

Governance functions and management functions may be performed at different levels and in different parts of the organization, but the governing body remains accountable for the performance of the organization.

While governance and management are different, everyone involved in governance and management should have a responsibility to work proactively towards achieving the objectives of the organization.

5 Governance of projects, programmes and portfolios

5.1 General

The governance of projects, programmes and portfolios should be an integrated part of the organization's overall governance. The governance framework should integrate across the projects, programmes and portfolios within the organization and, where necessary, incorporate the requirements of other

participating organizations. The overall governance of the organization should support and enable the proper management of projects, programmes and portfolios.

The governance of projects, programmes and portfolios should:

- a) reflect the values and principles of the organization or organizations responsible for the projects, programmes and portfolios being governed;
- b) facilitate achieving the organization's objectives, while complying with the constraints set by its governance framework;
- c) consider the cultural and ethical norms of:
 - any other organizations involved;
 - communities in which the organization operates.

5.2 Values

The values expressed through the governance of projects, programmes, and portfolios should remain consistent to, and aligned with the organization's values.

Within this document, the concept of values are those values that are adopted or decided by the organization or participating organizations. These values should determine or influence the standards of behaviour of the members of the organization, or organizations, and should be generally accepted within the wider community in which the organization operates. The organization's values may be documented and should reflect what is ethically acceptable and valuable to the organization's stakeholders. Where conflicting values exist among the stakeholder communities, there should be agreement on the manner in which these conflicts are managed.

5.3 Principles

Principles are reflected in the fundamental policies and practices adopted by the organization's governing body to support its values and achieve its objectives. The governing body should identify and document key principles for the governance of projects, programmes and portfolios that align with the organization's values and identify the objectives of the governance framework.

5.4 Guidelines for the governance of projects, programmes and portfolios

5.4.1 General

The guidelines for the governance of projects, programmes and portfolios identified in [5.4.2](#) to [5.4.6](#) should enable the creation of the governance framework to be adopted by the organization's governing body and support its values, principles and the achievement of its objectives. For the purposes of this document, the governing body should be accountable for implementing the governance framework for projects, programmes and portfolios. The governing body should consider the principles and the guidelines identified in [5.4.2](#) to [5.4.6](#) in the design and implementation of the governance framework for projects, programmes and portfolios.

5.4.2 Guidelines

The governing body should develop specific guidelines that provide the context within which its projects, programmes and portfolios should be managed, in accordance with the organization's values and requirements. The guidelines should include:

- a) alignment of the governance of project, programme and portfolio management with the organization's policies, values and objectives;

- b) a process for developing new and modified values and policies, where gaps exist at the organisational level or improvements are required;
- c) development, implementation and maintenance of the governance framework for projects, programmes and portfolios which includes:
 - establishing roles, responsibilities and accountabilities;
 - defining guidelines for the appointment of human resources;
- d) enabling effective communication between governance and management entities;
- e) providing for the separation of the governance function from the management role;
- f) providing oversight to enable conformance with the governance guidelines;
- g) improving the governance framework for projects, programmes and portfolios.

5.4.3 Performance of projects, programmes and portfolios

The governance framework should contribute to and provide oversight of the creation and realization of value for stakeholders by:

- a) the selection of members of the governing body and delegated governance entities that have the appropriate levels of capability, competence, authority, experience and access to the resources they require;
- b) responsible management of human and other resources and their use.

5.4.4 Sustainability and ethics

The governance of projects, programmes and portfolios should reflect the organization's commitment to ethical values and sustainability. The commitment to ethics and sustainability should include:

- a) integrating the organization's values and policies into the governance and management of projects, programmes and portfolios;
- b) fostering a culture of respect, fairness, trust, honesty, and appropriate transparency and openness;
- c) supporting the organization's commitment to sustainability, including economic, environmental and social responsibility;
- d) supporting the integrity, security and disclosure of information created, received, obtained and otherwise handled and distributed. the support should include, but is not limited to:
 - balancing the need for security and confidentiality with the stakeholder's need for availability and transparency;
 - providing for the integrity and availability of the information;
- e) establishing processes that provide decision makers with adequate, relevant, and reliable information.

5.4.5 Stakeholders

The governance of projects, programmes and portfolios should reflect the organization's commitment to determine and acknowledge the importance of stakeholders. The respect for stakeholders should include:

- a) considering and balancing the interests of stakeholders that is consistent with the organization's overall approach to stakeholders;

- b) creating and maintaining a culture that encourages engagement with stakeholders;
- c) developing policies to prevent or resolve disputes among or with stakeholders.

5.4.6 Management policies

The governing body should develop or adopt, implement and monitor management policies, and if needed, procedures and processes for projects, programmes and portfolios, which should align with the organization's management policies, procedures and tolerances, adapted as needed. The management policies, procedures and processes to be established may include, but are not limited to:

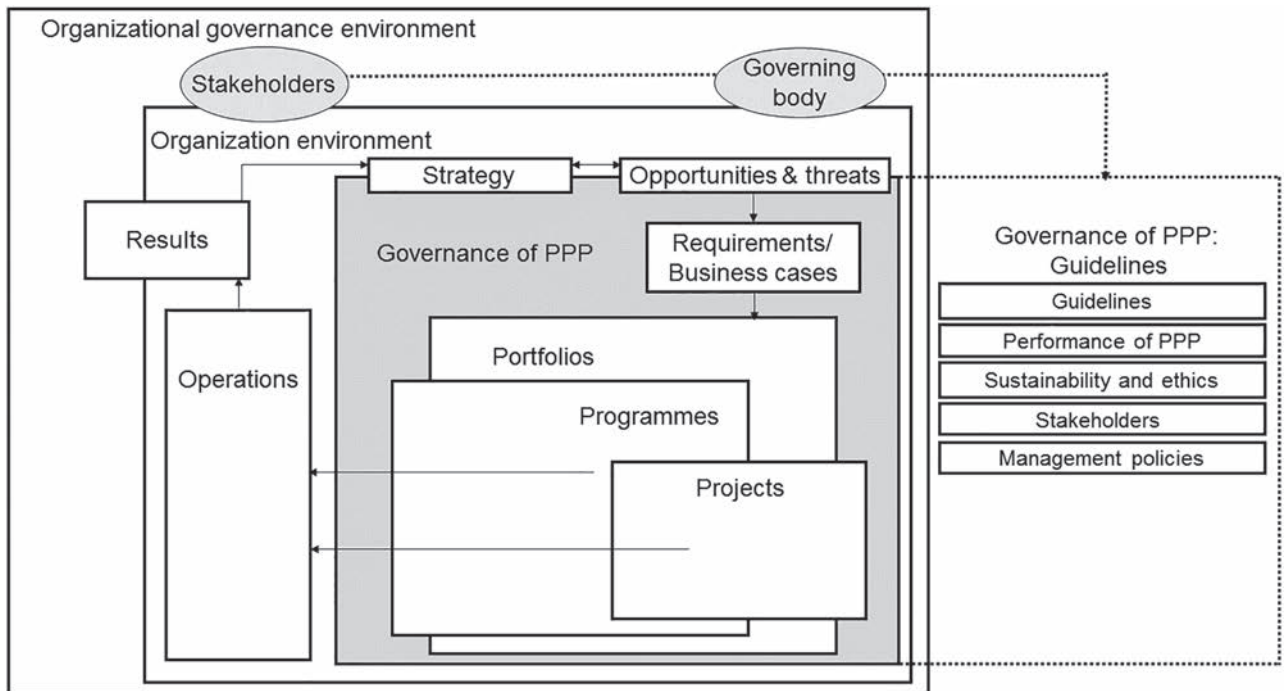
- a) risk management policies;
- b) issue management policies and escalation procedures;
- c) human resource policies, including the management of competences and talent;
- d) delegations of responsibility and authority;
- e) quality policies;
- f) environmental and sustainability policies;
- g) information and knowledge management policies;
- h) procurement policies and procedures;
- i) health and safety policies;
- j) budgetary and fiscal policies;
- k) conformance and oversight procedures.

5.5 Framework

5.5.1 General

The governing body should establish a governance framework for projects, programmes and portfolios. The governance framework should comply with the organizational governance values, principles and guidelines.

The framework should include the policies, processes, procedures, guidelines, boundaries, interfaces, roles, responsibilities and accountabilities needed for the implementation and maintenance of the organization's governance values and principles, as indicated in [Figure 2](#). The framework should be capable of being documented, communicated, and monitored. The governance framework for projects, programmes and portfolios, and its interfaces, should be reviewed regularly.



The dotted line and shaded box represent aspects of the governance framework applicable to the referenced guidelines.

Arrows are a generalized representation of the flow of knowledge, documents, deliverables and other artefacts.

PPP is the acronym in the diagram for projects, programmes and portfolios.

Figure 2 — Example of context of governance framework for projects, programmes and portfolios (PPP)

[Figure 2](#) offers one possible view of the context of the governance for an organization. The major elements are:

- the environment in which the organization or organizations function;
- the relationship between the guidelines, and stakeholders and the governing body;
- the disciplines of project, programme and portfolio management and the interface with operations or other organizations;
- the guidelines for the governance framework;
- the governance guidelines for projects, programmes and portfolios as identified in [Clauses 6, 7 and 8](#).

The necessary governance functions and responsibilities should be defined and allocated to each unit or entity at a level of complexity appropriate to the organization's needs.

5.5.2 Governance interfaces

The governing body should determine the interfaces among the entities responsible for the governance of projects, programmes and portfolios and other governance entities. The interfaces may be characterized by the flow of information, resources or requirements.

As indicated in [Figure 2](#), these flows generally create two primary governance interfaces which may need definition within the organization's overall governance context:

- a) the interface between the organization's governance and the governance of projects, programmes and portfolios;
- b) the interface between the governance of projects, programmes and portfolios and:
 - the governance of operations;
 - other areas of the organization;
 - the management of other organizations.

5.5.3 Implementation and maintenance of the governance framework

The organization or organizations should identify and provide or acquire the necessary support, resources and knowledge for the implementation, improvement and sustainment of the governance framework for projects, programmes and portfolios.

Factors to consider during the development, implementation and maintenance of the governance framework for projects, programmes and portfolios may include:

- a) the organization's existing governance framework and the legal context of stakeholders;
- b) the way management roles and responsibilities and governance roles and responsibilities are defined and allocated;
- c) the preparedness of the people within the organization to understand and support the organization's principles and values, and contribute to the organization's governance;
- d) the potential need for independent and autonomous audit or review, or decision gates;
- e) the continuous improvement and sustainment of the governance framework should be an integral part of the organizational governance framework.

Once the governance framework has been established, the unique requirements for each discipline should be identified and addressed. See [Annex A](#) for further information on implementation, continuous improvement and sustainment of the governance framework.

6 Governance of projects

6.1 General

Governance of projects should be supported by processes, procedures and standards as appropriate for governance requirements.

Governance of projects should be aligned with organizational governance, and, where appropriate, the governance of programmes and portfolios. A project may involve multiple organizations that may require a separate specific governance framework, which should consider the governance of the organizations involved.

In addition to the guidelines for the governance of projects, programmes and portfolios listed in [5.4](#), [6.2](#) to [6.4](#) describe the authority and responsibilities of the project governing body, and the guidelines and framework for the establishment and maintenance of governance for each project. These elements should be considered in conjunction to the guidelines for the governance of programmes and portfolios, as applicable.

6.2 Project governing body

The project governing body (for example a project steering committee, a body of executive or senior managers, a single manager, sponsor or other management oversight body) should be established and granted its authority by the governing body of the organizations involved.

The responsibilities of the project governing body should include, but are not limited to:

- a) aligning the governance of the project with the organization's governance;
- b) ensuring the project meets its legal obligations in the jurisdictions affecting its work;
- c) demonstrating support for the project, and its mission and objectives;
- d) engaging with and supporting the project in achieving the project's objectives;
- e) determining and, as appropriate, delegating levels of decision-making authority and other mandates;
- f) defining roles, responsibilities, authorities and accountabilities within the project governing body;
- g) supporting project decision making;
- h) providing effective and efficient leadership based upon an ethical foundation;
- i) authorizing the required resources and capabilities to support the project, organization and affected stakeholders;
- j) ensuring appropriate and timely access to finances for the project;
- k) verifying that the project justification and objectives are aligned with the organizational strategy or needs;
- l) creating awareness of the effect of individual, project as well as organizational risks;
- m) ensuring the appropriate use of risk and opportunity management practices on the project;
- n) instituting a change management process and monitoring adherence;
- o) responding to progress audit, review and assurance reports;
- p) validating the application of the policies, processes, procedures and standards for authorizing, approving and steering the project;
- q) providing oversight over project outcomes;
- r) instituting an appropriate remuneration policy based on stakeholder interests.

6.3 Guidelines for the governance of projects

6.3.1 General

A project operates in an environment through a defined project life cycle which includes the application of guidelines for the governance of projects, programmes and portfolios, as identified in [5.4](#). The application of the guidelines is established in a governance framework and supported with the guidelines for the governance of projects, as identified in [6.3.2](#) to [6.3.8](#). The application of these guidelines is governed by the project governing body.

6.3.2 Project management policy

A policy should be developed that identifies the purpose, roles, responsibilities, authorities, and accountabilities of the project management function. Delegation authority for accountability and responsibility should be stated in the policy.

6.3.3 Risk

Project risk management should be aligned to the organization's risk management policy and communicated to key stakeholders.

6.3.4 Project decision gates

Decision gates should be established in the project life cycle with criteria that enable the authorization of project continuation, suspension, termination, or modification.

6.3.5 Stakeholders

Guidance for the engagement with stakeholders should be provided that considers the legitimate interests, expectations, and conflicting interests, as well as the synergies of the project stakeholders.

6.3.6 Project audit, review or assurance

An internal or external project audit, review or assurance process should be established.

6.3.7 Sustainability and statutory requirements

Policies and procedures should be established that direct the actions to be taken with respect to sustainability and statutory requirements (such as health, safety, security, legal, regulatory, economic, environmental and social) for the project.

6.3.8 Reporting

Project reporting should be established in line with project objectives and organizational governance and, where appropriate, the governance of programmes and portfolios. The level of transparency and disclosure of project reporting should be defined. The integrity of project reports should be verified and validated. Governing body decisions should be documented.

6.4 Framework

The governance framework for projects establishes and defines the boundaries, interfaces, roles, responsibilities and accountabilities restricting and enabling the management of projects and may include the reporting structure, project management processes, risk management processes and risk tolerance thresholds, and decision gates for review. The governance framework should be documented, reviewed, updated and archived as required and in accordance with changing circumstances.

[Figure 3](#) illustrates an example of the context of a governance framework highlighting the governance of a project or projects.

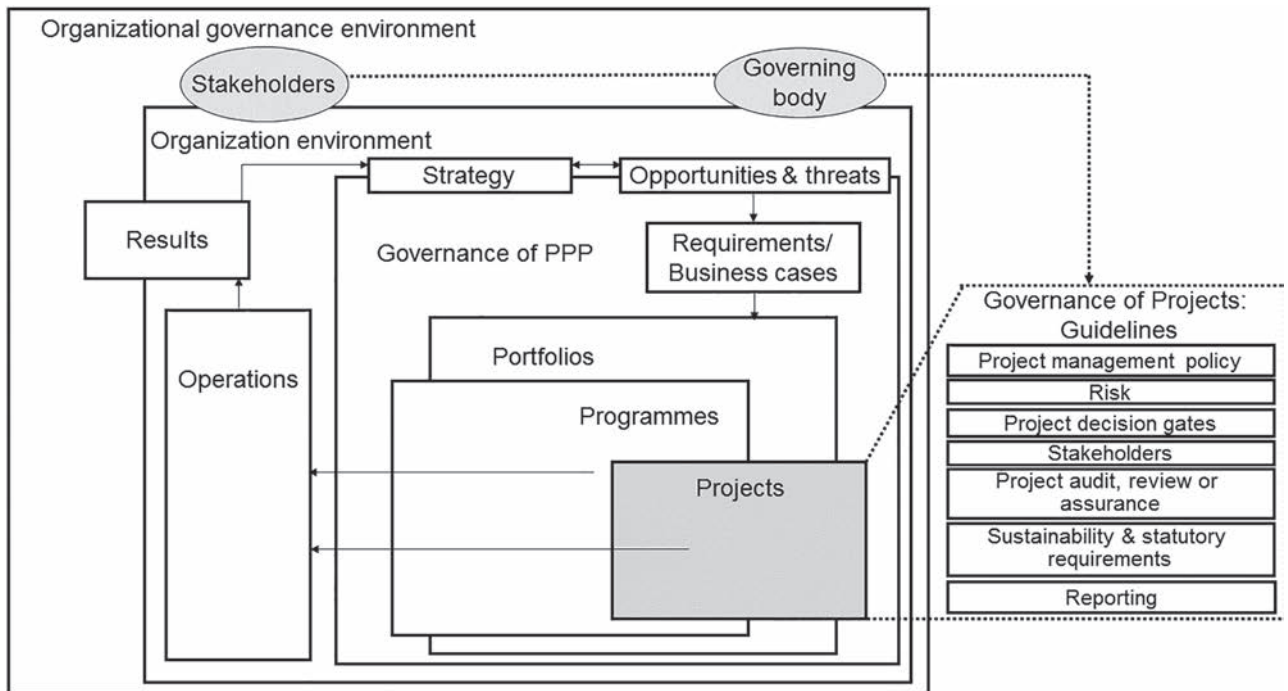


Figure 3 — Example of context of governance framework for projects

NOTE See 5.5.1 for further explanation of Figure 3.

7 Governance of programmes

7.1 General

Governance of programmes should be supported by processes, procedures and standards as appropriate for governance requirements.

Governance of programmes should be aligned with organizational governance, and, where appropriate, the governance of projects and portfolios. A programme may involve multiple organizations that may require a separate specific governance framework, which should consider the governance of the organizations involved.

In addition to the guidelines for the governance of projects, programmes and portfolios listed in 5.4, 7.2 to 7.4 describe the authority and responsibilities of the programme governing body, and the guidelines and framework for the establishment and maintenance of governance for each programme. These elements should be considered in conjunction with the guidelines for the governance of projects and portfolios, as applicable.

7.2 Programme governing body

A programme governing body (for example a programme steering committee or a programme board, consisting of a body of executive or senior managers, or other management oversight body) should be established and granted its authority by the governing body of the organizations involved.

The responsibilities of the programme governing body should include, but are not limited to:

- aligning the governance of the programme with the organization's governance, the governance of the portfolio, and the governance of other participating organizations, as necessary;
- ensuring the programme meets its legal obligations in the jurisdictions affecting its work;

- c) establishing and demonstrating support for the goals and vision of the programme, in alignment with organizational strategy;
- d) verifying alignment of programme work to the objectives and vision of the programme;
- e) engaging with and supporting the programme's team in achieving the programme's objectives;
- f) determining and, as appropriate, delegating levels of decision-making authority and other mandates;
- g) defining roles, responsibilities, authorities and accountabilities within the programme;
- h) supporting programme decision making;
- i) ensuring effective and efficient leadership based upon an ethical foundation;
- j) authorizing the required resources and capabilities to support the programme, participating organizations and affected stakeholders;
- k) ensuring appropriate and timely access to finances for the programme;
- l) verifying that the programme justification and objectives are aligned with the organizational strategy or needs;
- m) ensuring the appropriate use of risk and opportunity management practices on the programme;
- n) participating in and supporting the programme change management process;
- o) responding to progress, audit, review and assurance reports;
- p) validating the application of the policies, processes, procedures and standards for authorizing, approving and steering the programme;
- q) providing oversight over programme benefits;
- r) supporting resolution of overlaps and dependencies among programmes, projects and other related work;
- s) assessing the need for and monitoring organizational change management;
- t) providing awareness from the effect of individual project risks, as well as from the overall programme risks to the organization or organizations.

7.3 Guidelines for the governance of programmes

7.3.1 General

A programme operates in an environment through a programme life cycle which includes the application of guidelines for the governance of projects, programmes and portfolios, as identified in [5.4](#). The application of the guidelines is established in a governance framework and supported with the guidelines for the governance of programmes, as identified in [7.3.2](#) to [7.3.8](#). The application of these guidelines is governed by the programme governing body.

7.3.2 Programme management policy

A policy should be developed that identifies the objectives, roles, responsibilities, authorities and accountabilities of the programme management function. Delegation authority for accountability and responsibility should be stated in the policy. The programme management policy is reviewed and updated in accordance to changing circumstances.

7.3.3 Risk

Programme risk management should be aligned to the risk management policy of the participating organizations and include stakeholder engagement. Programme risk management should be based on a risk analysis of the programme, be aligned to the organization's risk management policy and communicated to the key stakeholders.

7.3.4 Programme decision gates

Decision gates should be established in the programme life cycle with criteria to:

- authorize the continuation, termination or modification of programme and programme components;
- facilitate decision making and assess and validate benefits realization;
- validate alignment of the programme with the organization's strategy, goals and objectives.

7.3.5 Stakeholders

Guidance for the engagement with stakeholders should be provided that considers the legitimate interests, expectations and conflicting interests, as well as the synergies of the programme stakeholders.

7.3.6 Programme audit, review or assurance

An internal or external programme audit, review or assurance process should be established. The audit function may include the evaluation of benefits, synergies and potential conflicts between the programme, the programme components, external organizations involved in the programme and other operational activities.

7.3.7 Sustainability and statutory requirements

Policies and procedures should be established that direct the actions to be taken with respect to sustainability and statutory requirements (such as health, safety, security, legal, regulatory, economic, environmental and social) for the programme.

7.3.8 Reporting

Programme reporting should be established in line with programme objectives and organizational governance and with the needs of the organization. The programme reporting structure should enable the governing body and stakeholders to monitor the programme status and benefits realization. The level of transparency and disclosure of programme reporting should be defined. The integrity of programme reports should be verified and validated. The decisions of the programme governing body should be documented.

7.4 Framework

The governance framework for programmes establishes and defines the boundaries, interfaces, roles, responsibilities and accountabilities restricting and enabling the management of programmes and may include the reporting structure, programme management practices, risk management processes and risk tolerance thresholds, and decision gates for review. The governance framework should be documented, reviewed, updated and archived as required and in accordance with changing circumstances.

[Figure 4](#) illustrates an example of the context of a governance framework highlighting the governance of a programme or programmes.

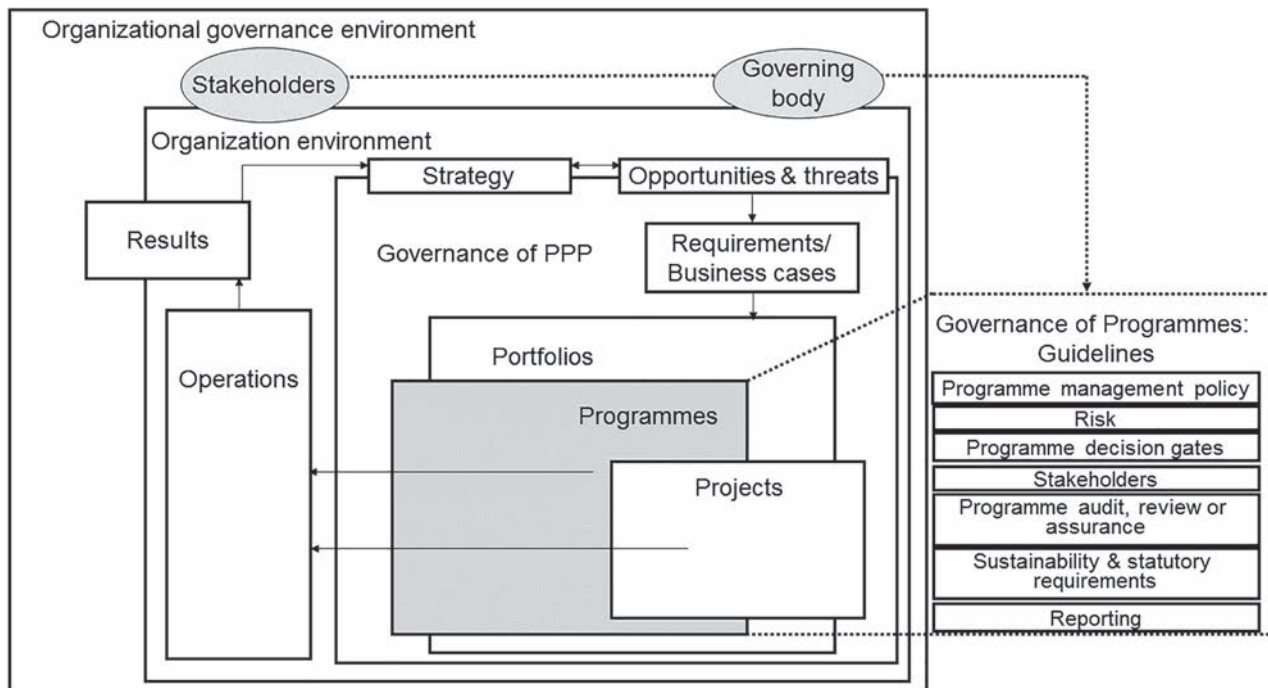


Figure 4 — Example of context of governance framework for programmes

NOTE See 5.5.1 for further explanation of Figure 4.

8 Governance of portfolios

8.1 General

Governance of portfolios should be supported by processes, procedures and standards as appropriate for governance requirements.

Governance of portfolios should be aligned with organizational governance.

In addition to the guidelines for the governance of projects, programmes and portfolios, listed in 5.4, 8.2 to 8.4 describe the authority and responsibilities of the portfolio governing body, and the guidelines and framework for the establishment and maintenance of governance for each portfolio. These elements should be considered in conjunction with the guidelines for the governance of projects and programmes, as applicable.

8.2 Portfolio governing body

A portfolio governing body (for example an investment committee, a portfolio board consisting of a body of executive or senior managers) should be established and granted its authority by the governing body of the organization.

The responsibilities of the portfolio governing body should include, but are not limited to:

- aligning the governance of the portfolio with the organization's governance;
- ensuring the portfolio meets its legal obligations in the jurisdictions affecting its work;
- establishing and demonstrating support for the objectives and vision of the portfolio in alignment with organizational strategy;

- d) validating the alignment of the governance of projects and programmes with the governance of the portfolio and the organization's governance;
- e) engaging with and supporting the management of the portfolio in achieving the portfolio's objectives;
- f) determining and, as appropriate, delegating levels of decision-making authority and other mandates;
- g) defining roles, responsibilities, authorities and accountabilities within the portfolio;
- h) providing effective and efficient leadership based upon an ethical foundation;
- i) authorizing and validating the required resources and capabilities to support the effective and efficient project, programme and portfolio management, as applicable;
- j) providing appropriate and timely access to finances for the portfolio;
- k) verifying that the portfolio justification and objectives are aligned with the changing strategy and needs of the organization;
- l) providing awareness of individual project, programme and overall portfolio risks;
- m) validating the alignment of the governance of projects and programmes with the governance of the portfolio and the organization's governance;
- n) ensuring the appropriate use of risk and opportunity management practices on the portfolio;
- o) establishing and validating policies, processes, procedures and authorities for the governance of portfolios (which could include project and programme selection, prioritization, authorization criteria, categorization, mechanisms for strategic alignment, and benefits realization and optimization).

8.3 Guidelines for the governance of portfolios

8.3.1 General

A portfolio operates in an environment which includes the application of guidelines for the governance of projects, programmes and portfolios, as identified in [5.4](#). The application of the guidelines is established in a governance framework and supported with the guidelines for the governance of portfolios, as identified in [8.3.2](#) to [8.3.7](#). The application of these guidelines is governed by the portfolio governing body.

8.3.2 Portfolio management policy

A policy should be developed that identifies the strategic vision, the objectives, roles, responsibilities, authorities and accountabilities of the portfolio management function. Delegation authority for accountability and responsibility should be stated in the policy. The portfolio management policy is reviewed and updated in accordance to changing circumstances.

8.3.3 Risk

The risk thresholds of the portfolio should be established, including consideration of the organization's and stakeholders' policies and risk tolerances, and communicated to key stakeholders. Policies and procedures should be established and communicated to the governing bodies of projects and programmes, as appropriate. The portfolio risk profile should be reviewed and monitored at established intervals.

8.3.4 Stakeholders

Guidance for the relationships and engagement with stakeholders should be provided that considers the legitimate interests, expectations and conflicting interests of the portfolio stakeholders.

8.3.5 Portfolio audit or review

An internal or external portfolio audit or review process should be established. The audit function may include the evaluation of organizational strategy realization and compliance to organizational governance.

8.3.6 Sustainability and statutory requirements

Policies and procedures should be established that direct the actions to be taken with respect to sustainability and statutory requirements (such as health, safety, security, legal, regulatory, economic, environmental and social) for the portfolio. The policies and procedures should be formally communicated to the governing bodies of projects and programmes, as appropriate.

8.3.7 Reporting

Portfolio reporting should be established and aligned with the portfolio objectives and organizational governance. The level of transparency and disclosure of portfolio reporting should be defined. The integrity of portfolio reports should be verified and validated. Governing body decisions should be documented.

8.4 Framework

The governance framework for portfolios establishes and defines the boundaries, interfaces, roles, responsibilities and accountabilities restricting and enabling the management of portfolios and may include the reporting structure, portfolio management practices, risk management processes and risk tolerance thresholds, and decision criteria for review. The governance framework should be documented, reviewed, updated and archived as required and in accordance with changing circumstances.

[Figure 5](#) illustrates an example of the context of a governance framework highlighting the governance of a portfolio or portfolios.

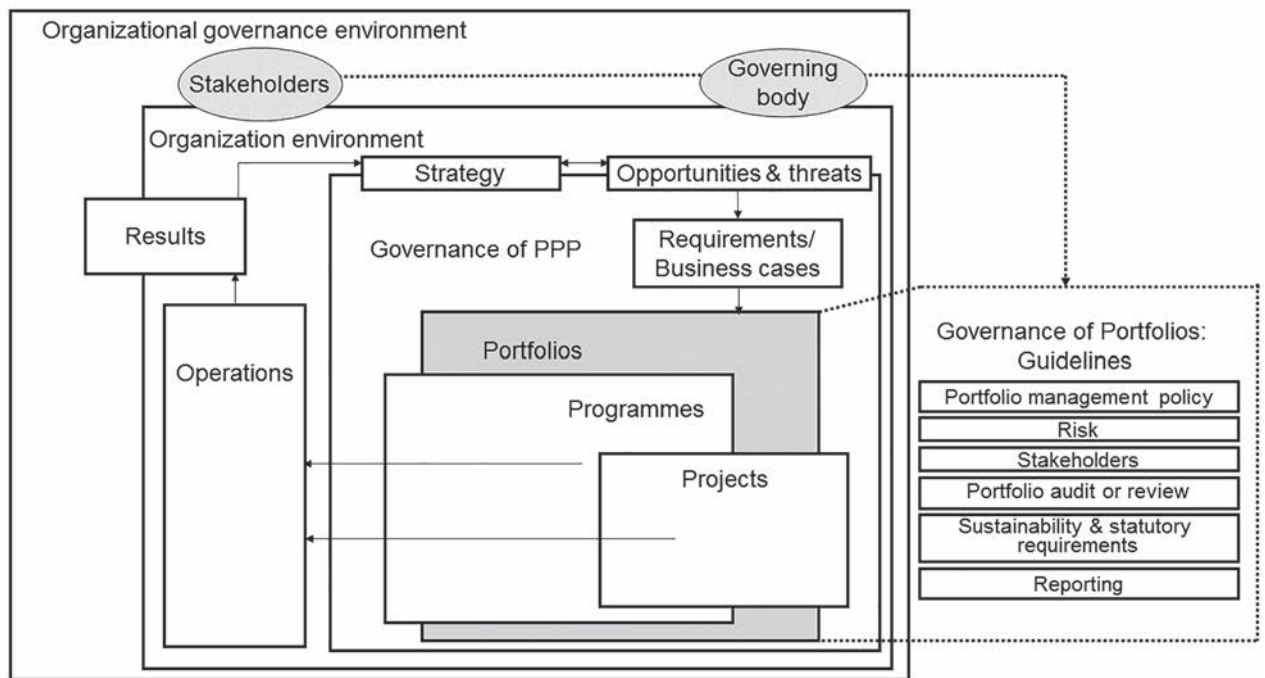


Figure 5 — Example of context of governance framework for portfolios

NOTE See 5.5.1 for further explanation of Figure 5.

Annex A

(informative)

Implementation, continuous improvement and sustainment of the governance framework

The governing body is responsible for defining and implementing the governance framework and associated guidelines. The chairperson of the governing body should be accountable for the implementation, continuous improvement and sustainment of the governance framework for projects, programmes and portfolios.

Continuous improvement should be an integral part of the activities for the sustainment of the governance framework. In order to achieve a continuous improvement cycle for the governance framework, several factors may be considered:

- a) development of oversight mechanisms to measure:
 - performance and outcomes such as performance reviews, assessments and audits;
 - level of understanding of the policies, procedures, and processes;
 - degree of adoption of the policies, procedures, and processes;
- b) review of the governance framework through various tools, techniques, and methodologies, including but not limited to:
 - feedback from stakeholders and users of the governance framework;
 - identification of changes and trends in the environment;
 - identification of redundancies;
 - gap analysis to identify and remove any gaps, overlaps, and conflicts;
 - risk analysis;
 - evaluating tolerances previously established for the governance processes;
 - benchmarking and comparative studies;
 - identification of process improvements to be undertaken including inputs from lessons learned;
 - root cause analysis for identified issues;
- c) integration of the information acquired into the existing governance framework:
 - removing redundancies;
 - resolution of issues based upon the root cause analysis or other analysis tool.
 - providing policies, procedures, and processes to fill identified gaps;
 - aligning policies, procedures and processes with the demands placed upon the governance framework by stakeholders;
 - modifying policies, procedures, and processes based upon feedback from stakeholders and the users of the governance framework.

The governance framework should be reviewed, documented, and updated on an as needed basis as well as by scheduled use of the metric and analysis tools used by the organization or organizations which function within the framework. The organization or organizations may select to use any combination of the tools, techniques, and methodologies available to enable the continuous improvement and sustainment of the governance framework.

Bibliography

- [1] ISO 21500, *Guidance on project management*
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- [5] *OECD Principles of Corporate Governance*, OECD (Organisation for Economic Co-operation and Development), 1999 and 2004

