

# State of Purpose Governance in Canada

March 2024



## Foreword

As an advisor to hundreds of boards of directors across all sectors for more than 20 years, I believe purpose is the next horizon in governance that will fundamentally shift how boards of directors do their work, and how organizations propel their businesses forward and strengthen the broader economic and social fabric of our country.

While most organizations have a purpose defined by what they do, there is a growing push by progressive leaders and stakeholders for organizations to articulate a purpose that goes beyond defining what the organization does and speaks to how the organization contributes to the betterment and long-term sustainability of society. This push is consistent with broader societal shifts that have increasingly highlighted issues around climate/environment, social equity, etc. and employees, customers and others want to align themselves with organizations who authentically demonstrate values consistent with addressing these issues as part of their strategies and operations. Organizations that embrace a compelling purpose are also more able to be resilient and responsive in the face of change because the destination is clear and embedded in the organization, even if the path to get there needs to adjust.

The Canadian Purpose Economy Project's paper on the State of Purpose Governance in Canada is both timely and instructive. Boards, by the very nature of their responsibility, shape the future of their organizations. They are therefore the ones who must ensure their organizations have a compelling purpose that defines why the business exists and what it stands for, coalesces employees, customers and other stakeholders, and underpins decisions around business model, strategy and capital allocation. The author and contributors to this paper have laid out very clearly the current status of purpose governance in Canada and the specific steps directors should take to create a Canadian model of purpose governance that will build stronger organizations and help advance a sustainable future for society.

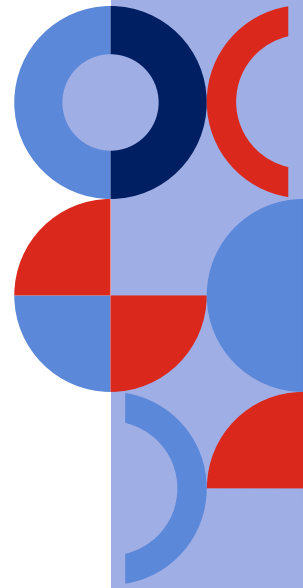
Good governance is not just governance for governance sake. How boards are composed, how they do their work, and where they focus their time and attention should all be aimed towards strengthening the business for long term, sustainable success. Purpose is a business issue, with compelling research to show that a strong and meaningful purpose is linked to greater business success and financial rewards. It is therefore incumbent on boards to embrace the importance of purpose, ensure they have the necessary backgrounds to oversee purpose and guide the company to embed purpose through strategy, risk and people.

Canadian corporations are at various stages in their purpose journey. Some are more advanced than others. Drawing on the insights laid out in this seminal publication on the State of Purpose Governance in Canada, we encourage all directors to ensure their organizations have a meaningful purpose and to use self-reflection through effective board and director evaluations, to consider their own gaps and be proactive in purpose governance to deepen the impact of purpose within their organizations to heighten business success and contribution.

Thank you to the many individuals and organizations who contributed to the State of Purpose Governance in Canada report. The insight is invaluable for all those who want to advance their purpose journey and I am excited by the opportunities that lie ahead.

## Elizabeth Watson, KC

Elizabeth Watson, KC is the founder of Watson Board Advisors, Canada's largest board advisory firm. A lawyer by background, for the past 20+ years Liz has advised public, private, not-for-profit and government entities across the country on director recruitment, board effectiveness, board composition and leadership succession. Liz's passion is helping boards and directors become highly effective to shape the future of their organizations and propel sustainable business success that strengthens society.



## Acknowledgements

Thank you to Watson Board Advisors for sponsoring this report. Over the last 20 years, Watson has helped over 500 boards be more effective so they can positively shape the future of their organizations and contribute to building a better world.



The report wouldn't have been possible without the support of the following organizations who surveyed their memberships and provided input and advice on the study findings.

- Governance Professionals of Canada
- The Directors College
- Chartered Governance Institute of Canada
- Competent Boards
- Canadian Corporate Counsel Association



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- William R. Holmes, Associate Professor, School of Business, Royal Roads University
- Liz Watson, CEO, Watson Board Advisors

## Executive Summary

Corporate governance standards and expectations continue to evolve in response to rising demands from investors, regulators, and stakeholders – and in response to continuous improvement on the part of high-performing boards. In recent years, with more companies clarifying their purpose as their meaningful reason to exist, their boards are beginning to broaden their oversight role to include purpose. Board purpose oversight is referred to as “Purpose Governance” in this report.

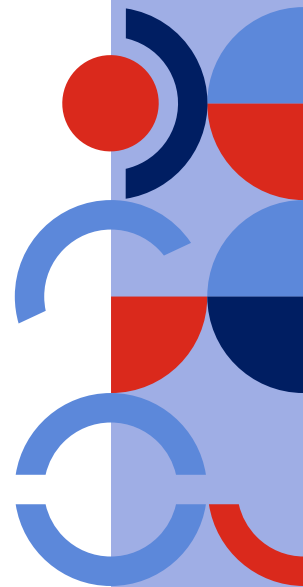
This trend to purpose governance is a welcome one, as boards that fail to oversee their company’s purpose face a governance gap. They put their companies at risk of inauthentic purpose or “purpose washing”, and worse, fail to realize the commercial and social impact of their purpose.

To better understand this trend, the Canadian Purpose Economy Project (CPEP) led a survey to find out the state of purpose governance in Canada. It partnered with five Canadian governance organizations to survey their members to understand the nature of the board’s oversight of purpose and whether the board faced any challenges in taking on this role.

Nearly two hundred corporate directors and governance professionals responded to the survey. Many sectors were represented, with most in the financial and broad public sector and while all sizes and types were represented, most were small to medium-sized companies. The majority of participants reported their organizations have a purpose statement approved by the board that sets out why their companies exist, and half responded this purpose was in fact a “social purpose” to contribute to a better world. While most are advancing their purpose through their corporate strategy, they also report they face some purpose governance challenges, particularly how to monitor and disclose purpose integration and impact – critical roles for boards of purpose-driven firms. This is not surprising in light of the fact that few boards have received purpose education or education on the board’s role in purpose oversight. Going forward, respondents believe purpose expertise or experience will be an important consideration in board recruitment to help address this knowledge gap.

Some might believe these numbers are high and that they overstate the number of boards overseeing their company’s purpose and ensuring it is enacted through strategy. It is possible that respondents are conflating a purpose, which is why the company exists, with its mission, which is what the company does to advance its purpose. It is also possible that directors and governance professionals are conflating purpose with their company’s sustainability or ESG (environmental, social and governance) commitments.

With more education and greater purpose expertise on their boards, the risk of confusion and conflation will subside, and greater authenticity and impact will result. This will reduce the purpose say-do-gap and put purpose-driven companies on the path to success.



## Introduction

Corporate governance continues to evolve driven by high-performing boards, new standards, and evolving stakeholder expectations. One area undergoing transformation is the board's role in oversight of corporate purpose, known as "Purpose Governance".

## What is Purpose Governance?

Purpose Governance is the board's role in oversight of the company's purpose. It is based on the premise that boards have an inherent responsibility to understand why the company exists in order to fulfill their fiduciary duty to act in the best interests of the company. Boards must ensure the company is executing the purpose through its corporate strategy, culture, and capital allocation.

Some observers, such as Corporate Knights, a Canadian media and research company focused on advancing a sustainable economy, contend that **there is a purpose governance gap in Canada**. Corporate Knights published the world's first rating of social purpose companies in 2022, "[The Social Purpose Transition Pathway: Helping Companies Move from 'Say to Do'](#)". They evaluated 34 Canadian companies or global brands that had significant operations in Canada to assess their purpose governance and implementation maturity. They found that many companies had corporate values that reflected the purpose, many boards disclosed progress on the purpose through annual reports and some had included purpose in the corporate strategy. However, not many boards included purpose oversight in their board charters, and boards did not include purpose responsibilities within the CEO's performance description. A few boards included purpose metrics in incentive compensation and CEO and Executive deliverables. The report recommended that boards close the purpose governance gap.

## What is corporate purpose and what is corporate social purpose?

The [ISO 37000 guidelines on Governance of Organizations](#) defines an organization's purpose as its "meaningful reason to exist".

The Canadian Purpose Economy Project defines a social purpose organization as a company whose enduring reason for being is to create a better world. It builds upon these two other definitions:

- [A business that exists to profitably solve the problems of people and planet without profiting from creating problems.](#)
- [A business whose reason to exist is an optimal strategic contribution to the long-term wellbeing of all people and planet.](#)

Another recent bellwether Canadian governance report published in 2022 also opined on the role of the board in purpose oversight. "[Charting the Future of Canadian Governance: A Principled Approach to Navigating Rising Expectations for Boards of Directors](#)", produced by the Committee on the Future of Corporate Governance in Canada convened by the Institute for Corporate Directors and TMX Group Limited, identified a number of roles for the board in stewarding the purpose including:

- Ensure the corporate strategy is aligned with the company's purpose and annually approve the strategy which is expected to achieve the company's purpose.
- Determine whether the company's performance measurement systems and processes provide clarity on the drivers and outcomes of the company's performance in achieving its purpose.
- Consider the appropriateness and quality of information that management uses to determine whether the company is achieving its purpose.
- Ensure the CEO demonstrates the strategic acumen and agility necessary to achieve the company's purpose.

The Canadian Purpose Economy Project published a literature review in 2023 on the board's role in purpose (and stakeholder) oversight which scanned over 40 reports and publications to discern a governance playbook for boards. "[Purpose and Stakeholder Governance Best Practices: Literature Review and Guidance on the Board's Role in Purpose and Stakeholder Oversight](#)" revealed there are four main board roles that should integrate purpose: 1) Strategy and Culture; 2) Performance Management; 3) Monitoring and Reporting; and 4) Governance Protocols.

Between these three reports lies the answer to the twin questions: **what is the role of the board of directors in providing oversight of the company's purpose and what is the state of purpose governance in Canada?**

## Purpose Governance Unpacked

Check out this [short video clip of purpose governance practices](#), from "Governance for a Sustainable Future" program of Cambridge Institute for Sustainability Leadership.

This study aims to advance research into purpose governance by surveying directors and governance professionals directly to determine the state of purpose governance at their boards. It is part of a bigger undertaking by the Canadian Purpose Economy Project (CPEP) whose ambition is to accelerate the transition to the purpose economy by engaging Canadian ecosystem actors to create an enabling environment for social purpose businesses to start, transition, thrive and grow. Three of its initiatives are closely linked, specifically the development of guidelines:

- for investors to engage portfolio companies on their purpose.
- for accountants to assure purpose disclosures.
- for boards to have oversight of corporate purpose.

To understand the state of purpose governance in Canada and identify purpose governance gaps to be addressed by educational organizations, the Canadian Purpose Economy Project collaborated with the following five governance organizations to survey directors and governance professionals for insights into purpose governance practices and barriers:

- Governance Professionals of Canada
- The Directors College
- Chartered Governance Institute of Canada
- Competent Boards
- Canadian Corporate Counsel Association

Nearly two hundred corporate directors and governance professionals responded to their invitation to participate in the survey. The respondents answered these questions to understand the degree of purpose governance adoption in Canada:

1. **Purpose Statement:** Does your organization have a board-approved corporate purpose?
2. **Corporate Strategy:** Does the corporate strategy include goals, targets, and metrics to pursue the purpose?
3. **Formal Role:** Has the board formalized its responsibility for purpose oversight?
4. **Education:** Has the board undergone education on purpose and its purpose role?
5. **Recruitment:** Is purpose competency important for board recruitment?
6. **Challenges:** What challenges does your board face in purpose development or execution?
7. **Future Competencies:** Is purpose knowledge and experience considered to be a necessary competence for the future boardroom?

These results will inform purpose governance education and guidelines for Canadian boards and ultimately help investors understand how their portfolio companies are stewarding their purpose and accountants understand how to assure corporate purpose disclosures. This collective enterprise will create a Canadian model of Purpose Governance, foster effective and authentic purpose execution, improve board governance, build stronger organizations, and help advance a sustainable future for society.

## Top Ten Findings

- Top respondents are from the financial sector and the broader public sector although there is a sampling from all sectors. They are primarily small to medium-sized private companies, although respondents include a range of company types and sizes.
- 85% of companies have a board-approved public statement of purpose.
- One-half of all organizations have a board-approved social purpose that sets out the societal reason the organization exists.
- Most companies are advancing their purpose through their corporate strategy.
- Only one-quarter of boards have received purpose education, and education on the board's role in oversight of purpose, while a slightly smaller number don't think board purpose education is needed.
- Almost one-half of boards haven't formalized their purpose oversight responsibilities in their board charters.
- A significant majority think purpose governance experience is a somewhat to very important consideration in board recruitment.
- While over one-third of boards report they don't face any purpose governance challenges, top ranked challenges were how to monitor purpose integration and impact and ensure it is embedded in decisions and disclosures.
- While most organizations report they have a purpose and embed it in their corporate strategy, they tend not to have had purpose education, suggesting there might be some governance gaps in effective purpose oversight.
- There are two opportunities ahead:
  - to offer purpose governance education to boards and governance professionals so that boards are equipped to have effective purpose oversight.
  - to develop purpose governance guidelines to ensure Canadian boards and their management teams have a common and effective approach to purpose oversight.

## Methodology

The five participating governance organizations issued the survey to their members between March to July 2023 on a rolling basis. The Director's College compiled the responses which are anonymous. These governance organizations provide education and membership services to corporate directors and governance professionals, who include corporate secretaries, general counsel, chartered accountants, risk management professionals and others.

The survey questions were based upon the purpose questions that Compensation Governance Partners (CGP) and WATSON Board Advisors Inc. (WATSON) included in their [2023 Corporate Governance Best Practices](#) survey of governance professionals, conducted in collaboration with Governance Professionals of Canada.

259 responses were received in total, including directors and governance professionals from 72 non-profit organizations (28%) and 187 businesses (72%). As the focus of the survey is how corporate boards are addressing purpose governance, the non-profit responses are not included in this report.

There are a few study limitations. It is possible that two or more people filled out the survey from their

respective organization. It is also worth noting that 187 responses are a small sampling of the overall universe. As such these findings can only be considered indicative and not definitive of the state of purpose governance in Canada. There is also selection bias in these results as the survey was optional and perhaps people from more mature purpose-inclined organizations were likelier to complete the survey. As well, some respondents skipped questions.

Respondents are expected to be from Canada. This was not surveyed. It is possible that a small number of them are from companies outside of Canada.

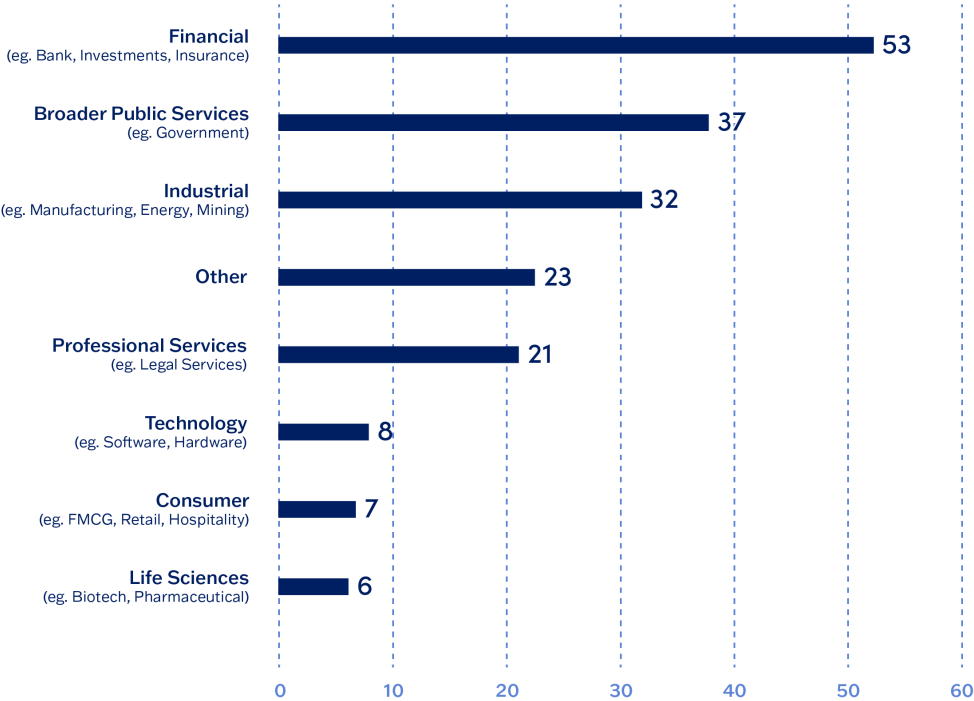
The responses were analyzed by the Canadian Purpose Economy Project.

Where applicable, findings from the CGP and WATSON 2023 Corporate Governance Best Practices Report are shared below. There were over 40 responding organizations to that survey, including both non-profit and business organizations.

## Survey Respondents

### Sector

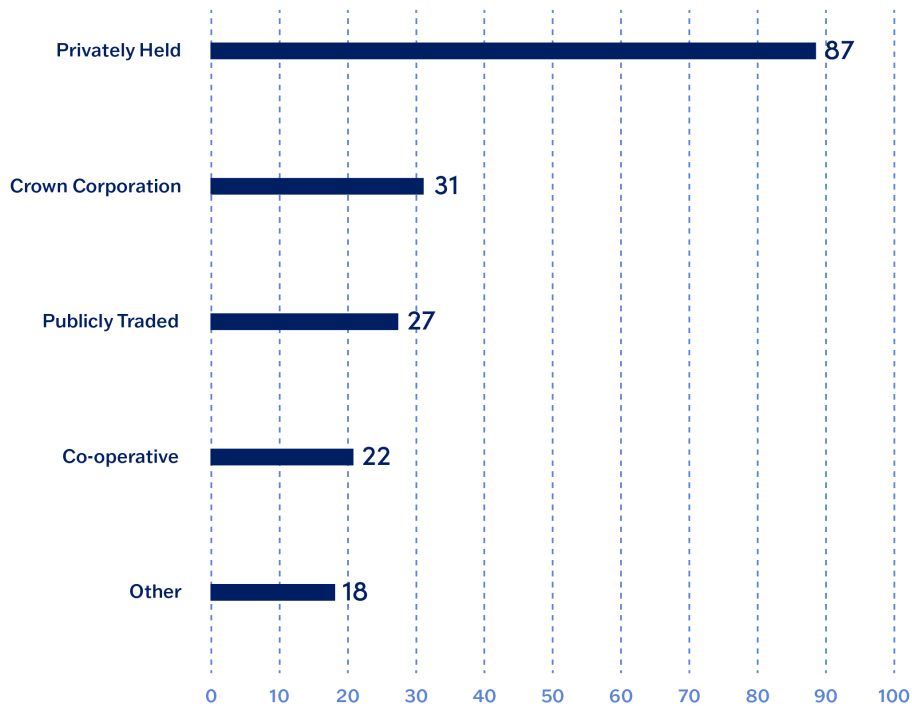
Over one quarter of respondents are from the financial sector (N: 53; 28%), while 20% (N: 37) are from the broader public service (particularly crown corporations as can be seen below), and 17% (N: 32) from the industrial sector, including manufacturing, energy, and mining. The next highest response rate, apart from other, was professional services at 11% (N: 21).





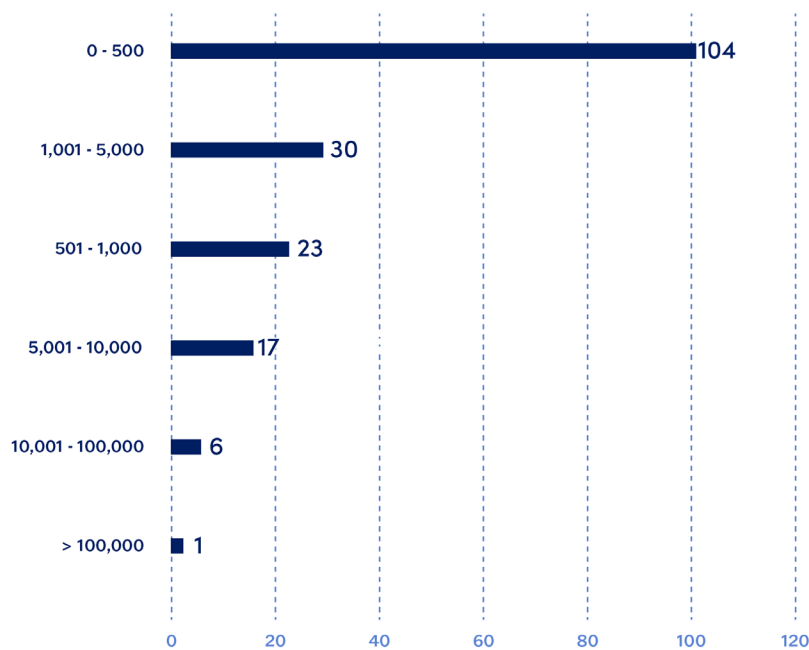
## Ownership

Nearly half (N: 87; 47%) of respondents are from privately held organizations, while 17% (N: 31) are from crown corporations, and 15% from publicly traded companies. There were two no responses.



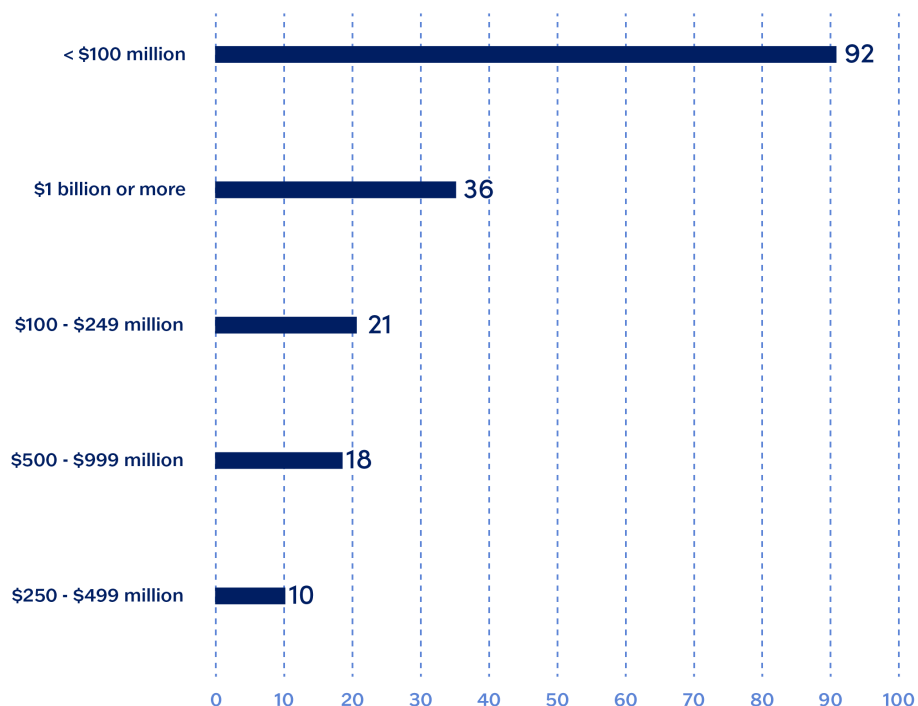
## Number of Employees

The majority of respondents are from small and medium-sized enterprises (SMEs), at 57% (N: 104). The next most frequent response is 29% (N: 53) for companies with 501 – 5,000 employees. Large company responses with over 5,000 employees (N: 24) is 13%. There were 6 no responses.



## Annual Revenue

As with the number of employees, the majority of respondents come from companies with less than \$100M in revenue (N: 92, 52%). The next highest response at 20% is companies with revenues of \$1B or more (N: 36). The balance had revenues in the middle (N: 49, 19%). There were 10 no responses.



## Role in Organization

An equal number of respondents (N: 52, 31%) are members of the company's executive or the company's board (N: 51, 31%), representing two-thirds of all respondents. Governance professionals, such as corporate secretaries or general counsel not in the c-suite, would be included in the "non-executive" category, at 19% of responses (N: 32). There were 20 no responses.

What is your role in your organization?	Total	Percentage
Board director	38	22.75%
Chair of the board	13	7.78%
Executive member (c-suite)	52	31.14%
Non-executive	32	19.16%
Other	32	19.16%
<b>Total</b>	<b>167</b>	<b>100.00%</b>

Cross-tabulations were conducted to find out if different ownership types, sectors or size of business affected the survey results. Either the results didn't allow for meaningful comparisons due to the low number of responses or there were no discernable differences.

# Survey Results

## 1. Board-approved public statement of purpose

Respondents were asked if their organization had a board-approved and public statement of purpose which answers why their organization exists. They were informed that “purpose is distinct from ESG (environmental, social and governance) and CSR (corporate social responsibility), as purpose is the reason your organization exists”.

Of those who responded, a significant majority 85% (N: 136) had a board approved and public statement of purpose answering why their organization exists.

Of the total number of responses, 50% (80) had a social purpose to “make the world better”, 21% (33) had a purpose, but it was not a social or profit purpose, and 14% (N: 23) had a profit purpose (financial or shareholder purpose).

There were 27 no responses, a high number perhaps attributable to their lack of knowledge of their organization’s purpose.

No effort was made to distinguish purpose from mission or vision so there is a possibility that responses conflate these different terms.

Does your organization have a board-approved and public statement of purpose, which answers why your organization exists? Please check the answer that is most accurate.	Total	Percentage
No	24	15.00%
Yes, and our purpose is focused solely on profit generation (i.e., financial or shareholder purpose)	23	14.38%
Yes, and our purpose is focused on producing solutions to the problems of people and/or planet (i.e., social purpose to make the world better)	80	50.00%
Yes, and our purpose has a different focus than the two options above	33	20.63%
<b>Total</b>	<b>160</b>	<b>100.00%</b>

**CGP and WATSON 2023 Corporate Governance Best Practices Report (including business and non-profit responses) results:**

- 97% state that their organizations have a board-approved public statement of purpose
- Over half (56%) exist to serve and fulfill a social purpose, 8% serve a financial purpose, and 33% exist to serve a purpose other than social or financial

## 2. Corporate strategy advances the purpose

Respondents were asked if board and management agreed on goals, targets, and metrics needed to pursue the purpose and whether these are included in the corporate strategy. Respondents were asked to check the most accurate answer. They were informed that “purpose is distinct from ESG (environmental, social and governance) and CSR (corporate social responsibility), as purpose is the reason your organization exists”.

A majority of respondents stated that their corporate strategy includes goals, targets and metrics designed to fulfill the company's purpose. Factoring out those who don't have a statement of purpose or who didn't respond, 60% (N: 113) of companies advance their purpose in their corporate strategy, while 12% (N:23) of companies do not advance their purpose in their corporate strategy. For this question 21 respondents indicated they didn't have a formal statement of purpose. There were 30 no responses, a high number possibly attributable to a lack of knowledge.

Have the Board and Management agreed on goals, targets, and metrics to pursue the purpose, which are included in the corporate strategy? Please check the answer that is most accurate.	Total	Percentage
NA – we don't have a formal statement of purpose	21	13.38%
No, our corporate strategy does not include goals, targets and metrics designed to fulfill our purpose.	23	14.65%
Yes, our corporate strategy includes goals, targets and metrics designed to fulfill our purpose.	113	71.97%
<b>Total</b>	<b>157</b>	<b>100.00%</b>

CGP and WATSON 2023 Corporate Governance Best Practices Report (including business and non-profit responses) results:

- 92% of respondents affirm their board and management have agreed on goals, targets and metrics to implement their purpose

### 3. Formal board oversight of purpose

Respondents were asked if the board had formal and explicit oversight of the purpose as expressed in its charter or terms of reference.

Nearly one-half of respondents (N:88; 47%) whose companies have a statement of purpose reported that explicit responsibility for board oversight of the purpose is included in their board roles and responsibilities (when factoring out companies who didn't respond or don't have a formal statement of purpose). Conversely, nearly one-third (N: 36; 29%) of those who have a purpose statement don't formally include board purpose oversight in their charters. Note that for this question, 31 indicated their company didn't have a formal statement of purpose, which is more than provided this response earlier (24). There were 32 no responses, a high number possibly attributable to a lack of knowledge.

Do board roles and responsibilities as expressed in its charter or terms of reference include an explicit responsibility for board oversight of the purpose?	Total	Percentage
NA – we don't have a formal statement of purpose	31	20.00%
No	36	23.23%
Yes	88	56.77%
<b>Total</b>	<b>155</b>	<b>100.00%</b>

CGP and WATSON 2023 Corporate Governance Best Practices Report (including business and non-profit responses) results:

- 79% of respondents confirm board roles and responsibilities include an explicit responsibility for oversight of the organization's purpose

## 4. Board purpose education

Respondents were asked to comment on whether their board had received purpose education and were invited to check off all applicable responses. Approximately one-quarter of boards have received purpose education (N: 52; 29%), most of whom have also received education on the board's role in oversight of purpose (N: 41; 23%).

Just over one-quarter have not received purpose education (N: 48; 27%) while a smaller percentage (N: 38; 21%) indicate the board is already informed about purpose and how to have oversight of it and don't need purpose education. There were 8 no responses.

Has your board undergone education on purpose and its purpose governance role? Please check all that apply.	Total	Percentage
Yes, the board has received education on purpose	52	29.05%
Yes, the board has received education on its role in oversight of purpose	41	22.90%
NA – the board is already informed about purpose and its role in oversight of purpose, so education is unnecessary	38	21.23%
No	48	26.82%
<b>Total</b>	<b>179</b>	<b>100.00%</b>

**CGP and WATSON 2023 Corporate Governance Best Practices Report (including business and non-profit responses) results:**

- 36% of boards received education on purpose
- 26% of boards have received education on its role in oversight of purpose
- 29% haven't received purpose education
- 31% state that the board is already informed about purpose and its role in oversight of purpose, so purpose governance education is unnecessary

## 5. Importance of purpose experience or knowledge in recruitment

Respondents were asked to indicate the importance of prior experience or knowledge around organizational purpose as a consideration in the selection of new board members. Just over one-quarter thought it was very important at 29% (N:44). When combined with important the response rises to nearly one-half (N: 70; 47%). A minority 15% (N: 22) think considering purpose experience and knowledge in director recruitment is not important at all, while 11% (N: 17) were unsure. There were 29 no responses.

How important is prior experience or knowledge around organizational purpose as a consideration in the selection of new board members?	Total	Percentage
Very important	44	29.33%
Important	26	17.33%
Somewhat important	41	27.33%
Not important	22	14.67%
Unsure	17	11.33%
<b>Total</b>	<b>150</b>	<b>100.00%</b>

## 6. Governance challenges in purpose development or execution

Participants were asked to indicate if their organization faced any governance challenges in purpose development or execution. They were given 10 suggestions and were invited to indicate none of the above or not applicable. The most common response (N: 52) was “none of the above”, suggesting that these boards are not facing any challenges in purpose governance.

Of the challenges, three ranked close to the top:

- The board doesn't know how purpose impact or progress should be measured (N: 27)
- The board doesn't know how to monitor purpose integration and impact (N: 26)
- The board doesn't know how to embed purpose in decisions, risk management and capital allocation (N: 25)

Other top mentions include:

- The board doesn't know how to embed purpose in the culture (N: 21)
- The board doesn't know how to report on and disclose progress on the purpose (N: 20)

Very few (N: 5) believe their boards face difficulty developing a purpose that states why it exists, while only 9 believe that the board and management don't know the business case for adopting and pursuing a purpose.

Twenty-four respondents indicated that “this topic is not applicable to their organization”. On the other hand, of those who responded to this question (N:138), we can interpret this to mean that 83% believe governance of purpose development of execution is applicable to their organization. There were 49 no responses.

Does your organization face any of the following governance challenges in purpose development or execution? Please check all that apply.	Total
The board doesn't know how purpose impact or progress should be measured	27
The board doesn't know how to monitor purpose integration and impact	26
The board doesn't know how to embed purpose in decisions, risk management and capital allocation	25
The board doesn't know how to embed purpose in the culture	21
The board doesn't know how to report on and disclose progress on the purpose	20
The board doesn't know how to provide oversight of the organization's purpose and lacks knowledge about its roles and responsibilities in governing the organization's purpose	17
Board and management are unfamiliar with the concept of purpose (why the organization exists) and how it differs from mission (what the organization does) and the vision (where the organization is headed)	14
The board doesn't know how to embed purpose in the corporate strategy	12
Board and management don't know the business case for adopting and pursuing a purpose	9
The organization doesn't know how to develop a purpose that states why it exists	5
None of the above	52
NA, this topic is not applicable to our organization	24

**CGP and WATSON 2023 Corporate Governance Best Practices Report (including business and non-profit responses) results:**

- 56% of responses indicate their boards don't face challenges in purpose development or execution
- 33% comment that the board does not know how to embed purpose in decisions, risk management and capital allocation
- 10% believe the board does not know how to embed purpose in the corporate strategy
- Only 8% believed the topic was not applicable to their organization

## 7. Future boardroom competency requirements

Respondents were asked to identify the new competencies they see as necessary for the future boardroom. Responses were analyzed for themes as set out below. The top mentioned topics were ESG and Sustainability and Technology at 27, followed by Purpose at 23.

### Competencies necessary for the future boardroom

Theme	Number of mentions
ESG and Sustainability (Two references to ESG reporting requirements)	27
Evolving technology, IT and digital (17 references to AI, two references to understanding impacts of technology)	27
Purpose knowledge	23
Diversity, equity, and inclusion (Three references to social justice expertise)	13
Risk	9
Climate change	8
Innovation	6
Cyber security	5
Data governance	2
Stakeholder engagement	2
Single mentions: community development, culture, Indigenous relations, social media, collaboration, and scenario planning	1

While respondents primarily gave single word answers for ESG and sustainability and technology, they were more descriptive in their definition of the purpose competency, as set out below.

### Future purpose knowledge competencies for directors

- Focus on the greater good (4)
  - How the organization is contributing to betterment of society
- Address changing societal expectations and standards
  - Purpose-driven mindset (3)
- Ability to respond to the rapidly changing environment without sacrificing purpose or core values
- Openness to new governance models such as purpose
  - Awareness of how to embed purpose in decision-making models
  - Skills for aligning purpose, risk and financial stability
  - Methodology for obtaining consensus on corporate purpose
  - How to measure impact of purpose
  - Going beyond ESG
  - Purpose governance

## ANALYSIS

A significant majority of companies responded that they have a board-approved and public statement of purpose answering why their organizations exist (85%). Most boards have a purpose for their organization going beyond profit for shareholders (70%) while half of all respondents (50%) have a social purpose to create a better world. Although respondents were not asked to submit their statements for analysis, presumably those who have a “beyond profit” purpose that is not a social purpose have a product or customer focused purpose. It is possible that these numbers are high overall because respondents are conflating purpose with mission or vision. A purpose is the reason the organization exists, while a mission is what the organization does to bring the purpose to life and a vision is where the organization is headed in pursuit of its purpose. The vision sets the context for strategy.

Respondents whose organizations have a formal statement of purpose have confidence that their corporate strategy includes goals, targets and metrics designed to fulfill their purpose, at 80%. This is reflected in the low number who said they faced this governance challenge (N: 12).

This number drops for organizations whose boards have formal responsibility for purpose oversight expressed in their board terms of reference, from 80% to 57%. However, this is still over half of boards who have formalized purpose oversight in their charters. On the other hand, one would expect this to be 100% given the fiduciary responsibility of boards to act in the interests of their organization, where purpose sets the context for the organization’s interests. It seems like boards may be practicing purpose governance but not in a formalized way.

This potential lack of formalized purpose governance is further highlighted in the question on purpose education. Only about one-quarter of organizations have received education on purpose and education on the board’s role in oversight of purpose. Given the rising importance of corporate purpose and purpose governance, this low number is surprising. Somewhat fewer think the board doesn’t need purpose education as their board already understands their purpose oversight role. As there is a lack of formal guidance and education on purpose governance in Canada, it is not clear where boards are getting their purpose education and competencies (combining those who have received purpose education with those whose boards are already informed about their purpose oversight role, about 50% of boards have purpose knowledge according to respondents).

It is possible that boards may be over-confident in their knowledge about purpose given 40% think they don’t need purpose education. Although the concept of a corporate purpose has been around for a long time, the concept of a social purpose for corporations is relatively new. As such boards may need education on this concept and its merits.

A significant majority of respondents (74%) believe that purpose knowledge or experience is somewhat to very important in the selection of new board members – about half (47%) believe it to be very important and important. This suggests that purpose education will become more significant in future as it becomes a rising factor in the nomination process.

However, a significant minority (40%) don’t believe their own boards need purpose education. For those that do, they could use help with purpose integration, measurement, monitoring and reporting. They don’t need help understanding the business case for adopting and pursuing a purpose or developing a purpose, as most of them already have a formal purpose statement and their companies are in the purpose implementation and reporting phase. Instead, boards need help understanding how to have oversight of implementation and reporting.

A surprisingly high number report they don’t face barriers at 30%. This could be because the board is not fully governing implementation of the purpose and therefore has not yet come across any barriers. Enacting purpose is essentially business model transformation, and there is a lack of guidelines to boards and others on how to do this. It is similar to but differentiated from governing strategy, with unique considerations. As more organizations and their boards progress down the governance journey more barriers – and thus the need for education – can be anticipated.

According to respondents, ESG, technology, especially AI, and purpose knowledge are the top new competencies needed in the future boardroom. Respondents recommend that purpose knowledge include how the organization contributes to the betterment of society and how to create a purpose-mindset to foster purpose integration.



It is important to put these responses in perspective as there was sectoral concentration in the responses, with one-quarter from the financial sector. Plus, over half are small and medium-sized enterprises as reflected in number of employees and revenues and nearly half are from privately held organizations. However, there is sufficient diversity in responses across these categories to allow for meaningful conclusions about the state of purpose governance in Canada.

## DIRECTIONS FOR PURPOSE GOVERNANCE IN CANADA

This is the first report focused on the state of purpose governance in Canada. It shows that directors and governance professionals are receptive to the concept of purpose in business and the board's role in oversight of it. It also suggests that there might be gaps in understanding the difference between a purpose and a mission and a conventional purpose and a social purpose, and in the board's responsibility in oversight of the purpose. There could also be gaps in understanding the board's role in monitoring purpose integration, measurement, and reporting. While few of the respondents believe boards need education on the business case for adopting and pursuing a purpose, likely boards and companies who have not gone this route do. Boards whose companies don't have a compelling purpose statement as their company's enduring reason for being will need to understand the business case for developing and adopting one, and the implications for becoming a purpose-driven organization.

The high interest in having directors with purpose experience or knowledge is a portent of things to come. Going forward, more boards will likely include purpose skills, experience and knowledge in their skills matrix and nomination process. This speaks further to the need for purpose governance education to meet this future need. That respondents believe purpose knowledge is a competency for the future boardroom further reinforces this direction of travel.

### Purpose governance education

These gaps point to the need for boards, executives, and governance professionals to learn about purpose, social purpose, and purpose governance. Governance education institutions and governance advisors will need to include purpose within their programs and offerings to address this gap.

### Purpose governance guidelines

There is also a need for a set of purpose governance guidelines for boards to help them navigate the pathway for becoming purpose competent. These guidelines should show boards and their advisors how to embed purpose oversight across the board governance suite.

The five participating organizations recognize this governance gap and intend to enhance their educational offerings to include purpose governance in the years ahead. They can draw upon a guide for boards published by the Canadian Purpose Economy Project, based on global research into purpose governance, written by the author: "[Purpose and Stakeholder Governance Playbook: Your Guide to Enhancing your Board's Oversight of Purpose and Stakeholders](#)".

Not only do boards stand to lead the way, but Canada stands to lead the way in purpose governance education for boards, addressing their challenges, and equipping them to enhance their oversight of their organization's purpose.

## CONCLUSION

This ground-breaking research into the state of purpose governance in Canada reveals that most organizations have a purpose, and many have a social purpose, or at least demonstrate alignment with that concept. However, directors are not receiving purpose education or purpose governance education to understand the implications for board governance. Many haven't formalized purpose oversight responsibilities in their board charters – a necessary step to foster organizational accountability on the company's purpose and reap the benefits.

Going forward more directors will be expected to have knowledge and expertise in this area, whether that is through recruiting specialist directors or through board education. Investors will also benefit from enhanced board purpose competency, as they can come to expect greater board literacy in this emerging governance field.

The opportunity is for boards, governance advisors and governance education organizations to address the gap and help Canadian boards become global leaders in purpose governance and their companies become global leaders in purpose execution. This will increase purpose accountability, improve board governance, build stronger organizations, and help advance a sustainable future for society.

## Additional Purpose Governance Resources

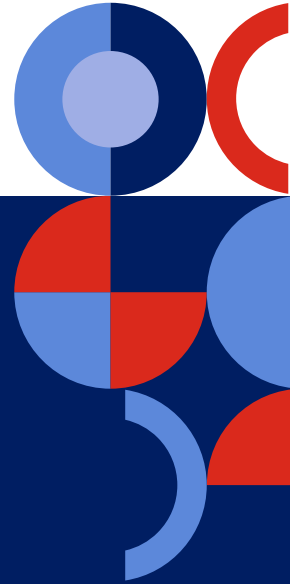
[Purpose Governance: A New Role for Boards](#), Governance Professionals of Canada.

[Purpose Governance: The Role of the Board in Developing and Overseeing the Purpose of the Organization](#), Governance Professionals of Canada.

[The Purpose Imperative: Why and How Boards are Embracing Purpose Governance to Drive Value](#), Strandberg Consulting in collaboration with Governance Professionals of Canada.

[Purpose and Stakeholder Governance Best Practices: Literature Review and Guidance on the Board's Role in Purpose and Stakeholder Oversight](#), Canadian Purpose Economy Project.

[Purpose and Stakeholder Governance Playbook: Your Guide to Enhancing Your Board's Oversight of Purpose and Stakeholders](#), Canadian Purpose Economy Project.



## About the Author

Coro Strandberg is the President of Strandberg Consulting and the Chair of the Canadian Purpose Economy Project. She is a nationally recognized leader in corporate sustainability, ESG (environment, social and governance), social purpose and purpose governance. Coro is a sought-after speaker and advisor to boards and executive teams on these topics. She is a faculty member for Director's College and Governance Professionals of Canada where she trains Directors and Governance Professionals on ESG, Sustainability and Purpose Governance. She has over 20 years of corporate governance experience and is on the board of British Columbia Lottery Corporation. Coro publishes her research and thought leadership on her website at [www.corostrandberg.com](http://www.corostrandberg.com)

## About the Canadian Purpose Economy Project

The Canadian Purpose Economy Project exists to accelerate the transition to the purpose economy. It engages national ecosystem actors to create an enabling environment for social purpose businesses to start, transition, thrive and grow. It convenes, connects, curates, and collaborates to drive the social purpose business movement in Canada toward an economy where social purpose business is the norm, attracting capital, talent, and partners. In this economy businesses unlock all their assets, influence, reach and scale in collaboration with others to help Canada address its societal challenges and realize a flourishing future. Three of its priorities include developing best practice in Purpose Governance, Purpose Reporting and Purpose Investing, to help boards and investors improve their understanding of their emerging purpose roles and responsibilities. Go to our website to register for updates, learn about our purpose levers of change, and be part of the Social Purpose Business Movement: [www.purposeeconomy.ca](http://www.purposeeconomy.ca)