

Purpose Governance Guidelines for Boards

April 2024



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, a practice known as "Purpose Governance".

Leading boards ensure they have best practices in purpose governance to position their organizations for future success. They understand the value and benefits of having a clearly articulated and enacted purpose, how it differs from vision, mission, and values, how to oversee its implementation through strategy and culture, and how to foster organizational accountability for its delivery.

The following framework sets out the main responsibilities for boards in their oversight of organizational purpose. They are informed by a literature review of these topics conducted in 2022, interviews of practitioners with expertise in purpose governance, and a scan of purpose governance practices at Maple Leaf Foods, Unilever, Rio Tinto, and BC Lottery Corporation (See: [Purpose and Stakeholder Governance Best Practices](#)).

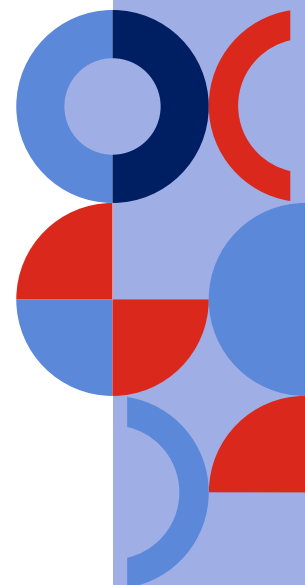
Boards and management can use these questions to determine the current state of purpose governance at their organization, and flag and address shortcomings. Governance professionals can use them to create a purpose governance roadmap. Governance organizations can tailor these questions in their governance fundamentals education programs and certifications.

| "These are definitely the right questions. Boards will find it useful to consider them."

Sarah Kaplan, co-author, "360° Governance: Where Are The Directors In A World In Crisis?"

"I was attracted to work at Maple Leaf Foods because of the strong commitment to purpose. Our purpose is grounded in our vision, mission, and values, and is brought to life through our people and how we make decisions. Being a purpose driving organization is dynamic and having a resource like this to turn to for reference and best practices, is a valuable tool for boards and management teams."

Suzanne Hathaway, Senior Vice President, General Counsel, Communications and Corporate Secretary, Maple Leaf Foods



Our Partners

These Guidelines have been developed for the [Canadian Purpose Economy Project](#) seeking to advance purpose governance in Canada and improve purpose accountability, authenticity, and impact. It is collaborating with the following governance education organizations who have endorsed these guidelines “in principle”. They are adapting them for inclusion in their governance education offerings.

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



“These purpose governance guidelines are a valuable framework for boards and their advisors to help their organizations become purpose-led and future-fit.”

Gary Wade, CEO, Unilever Canada

“As an experienced governance practitioner, I am all about the “how” of corporate governance. These purpose governance guidelines provide a practical roadmap for boards and their advisors to meet current and evolving regulatory requirements, while also enhancing their organization’s resilience and capacity to adapt to the rapid pace of change in the macroenvironment.”

Christine Carter, Corporate Secretary and Director of Governance, BC Lottery Corporation

Purpose Governance Guidelines

There are four main oversight responsibilities for boards in stewarding successful execution of the company's purpose:

1. Strategy and Culture
2. Performance Management
3. Monitoring and Reporting
4. Governance Protocols

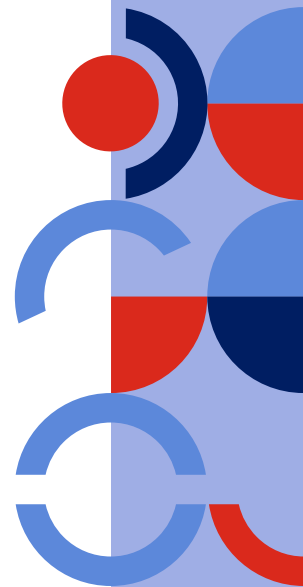
Within each responsibility there are a number of practices for those just starting out, and for those who are further along the maturity path. They are framed as twenty questions directors could ask the board or management.

Strategy and Culture

- Is the purpose central to the company's governance? Is the purpose still relevant or does it need to be updated?
- Are the purpose and vision the overarching framework within which strategy is formulated, does the company's vision describe the outcome that the organization wants to see from the successful realization of its purpose and does the corporate strategy have clear and measurable goals, actions, and accountability for pursuit of the purpose?
- Do the corporate mission, values, and brand promise reflect the purpose and does the organizational culture reinforce the purpose?
- Do the corporate structure and business model help fulfill the purpose?
- Are capital and resources appropriately allocated to purpose realization as set out in the strategy, and does the company's Enterprise Risk Management program consider risks to or from the company's purpose distinct from the strategy?

Performance Management

- Do the CEO's performance goals and objectives, incentive compensation, and role profile appropriately reflect the CEO's role in helping fulfill the purpose?
- Does the CEO demonstrate the strategic acumen and agility necessary to realize the company's purpose?
- Is executive remuneration at least in part dependent on achievement of the company's purpose-related goals?
- Are executives evaluated on their understanding of, adherence to, and promotion of purpose?
- Is purpose competency included as a key criterion in succession planning and leadership development?



Monitoring and Reporting

- Is progress on the purpose monitored through regular reports to the board? Do we, as board members, demonstrate vigilance in monitoring management decisions that could undermine the purpose?
- Have risk management and internal audit been engaged in assessing internal purpose alignment; where the board is not satisfied that policy, practices, or behaviours are aligned with the company's purpose, is an assurance process in place to confirm that corrective action has been taken?
- Is a system in place to identify new ideas on how the company can realize its purpose, as well as identify and address blind spots, such as an external stakeholder and expert advisory panel or employee idea box?
- Does the company disclose its purpose and report publicly on how the purpose is embedded within strategy, risk, performance and culture and does the board review public disclosures on progress against the purpose as set out in the corporate strategy, including goals, targets, plans and metrics?
- Has external assurance been undertaken to validate that the purpose has been effectively embedded and that its purpose disclosures are accurate?

Governance Protocols

- Do governance documents set out the board's purpose oversight role, e.g., within board and committee charters; has responsibility for purpose oversight been delegated to a board committee with members who have the passion, knowledge, and aptitude for stewarding the topic?
- Is purpose included in the board evaluation, e.g., does the board have a clear understanding of how executive leadership instils the purpose in day-to-day operations?
- Is purpose competency (i.e., alignment and knowledge and experience in purpose governance and on the purpose subject matter) included as a factor in the board recruitment and onboarding process?
- Is purpose included in regular board discussions and does the board set the purpose "tone at the top"?
- Has the board adopted a purpose decision lens, e.g., inclusion in the board memo template, to ensure purpose is considered in board decisions; is purpose used to test decisions and trade-offs in strategy, investments, risk and performance management, HR, and culture, etc.?

Purpose Governance Examples

These examples provide insights into purpose governance in practice.

1. Four Purpose Governance Case Studies

For detailed examples of purpose governance in practice, see page 13 of the [Purpose and Stakeholder Governance Playbook](#) where the purpose governance practices of the following organizations are profiled:

- Maple Leaf Foods
- Unilever
- Rio Tinto
- BC Lottery Corporation

2. Sample Purpose Governance Practices: Values, CEO Role and CEO Performance Objectives

To steward a purpose-driven culture, boards ensure the company's purpose is reflected in the CEO's position description and performance objectives and corporate values. Here are examples of companies with these practices. They are taken from "[The Social Purpose Transition Pathway: Helping Companies Move from Say to Do](#)" published by Corporate Knights, a Canadian media and research company. It rated 34 Canadian companies on their social purpose governance and implementation and profiled a number of their best practices.

VALUES: Best practice companies ensure at least one or more of their corporate values have an explicit tie to the purpose because they are seeking to embed their purpose in their culture.

Examples: BMO and Coast Capital Savings

These companies have corporate values that explicitly link to their stated social purpose "to boldly grow the good in business and life" in the case of BMO and "to build better futures together" in the case of Coast Capital.

BMO

BMO has four corporate values, including integrity, empathy, diversity, and responsibility. Their responsibility value, "**Responsibility: Make tomorrow better**" has a direct tie to their social purpose.

Coast Capital

All three of Coast Capital's corporate values connect to their social purpose:

"We Build Connection: We believe in connecting with people and partners on a deeper level to rise to our full potential. We nurture our relationships, connecting with kindness and humility. We empower people to be who they are and ask what actions we can take to be more inclusive. Moments of celebration matter here as we drive forward as one team toward our purpose.

We Act with Courage: We know doing the right thing isn't always easy, but we make it happen. We understand that the success of Coast, our members and our communities are connected and have the drive and spirit to overcome any hurdle in pursuit of our purpose. We value authenticity, regularly challenge assumptions, including our own. Here, obstacles are opportunities to rise to our best.

We Re-Imagine: We believe in curiosity and asking "what if" to imagine a better future for everyone. In a rapidly changing world, people need better, bolder solutions to overcome today's financial and social challenges. We embrace diversity to drive smarter decision and make the complex simple. We see the status quo as standing still and we're compelled by our purpose to move, turning ideas into real impact."

CEO ROLE: Best practice companies have a clearly defined role for the CEO in purpose execution, which is formalized in the CEO's role description.

Examples: BC Lottery Corporation (BCLC) and HSBC

BCLC and HSBC make specific reference to the CEO's role in purpose execution, creating clear purpose responsibilities for the CEO "to generate win-wins for the greater good" in the case of BCLC and "opening up a world of opportunity" in the case of HSBC.

BCLC

"Reporting to the BCLC Board of Directors, the President and Chief Executive Officer (CEO) leads the Executive team, executes the corporate strategy, supports BCLC's operations, **enacts our social purpose**, and implements decisions of the Board of Directors."

HSBC

"The Group Chief Executive is responsible for directing the Group's resources towards the **fulfilment of HSBC's purpose** and strategy in adherence to all relevant laws, regulations and standards."

CEO PERFORMANCE OBJECTIVES: Best practice companies include clear purpose deliverables within the CEO's annual performance objectives, against which they are evaluated on an annual basis. This is a main route by which a board can ensure that the CEO is implementing priority purpose goals.

Example: Co-operators

The CEO 2021 goals that supported Co-operators' purpose "to strengthen the financial security of Canadians and our communities" were: "(1) realigning our organization's investments and operations to a net-zero world which reduces society's systemic risk from climate change, and (2) expansion of sustainable and impact investing opportunities, which will enable the transition to a society that is financially secure in the long-term."

Purpose Governance Resources

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

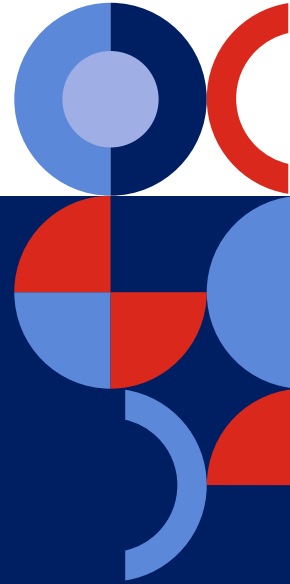
[Purpose Governance: The Role of the Board in Developing and Overseeing the Purpose of the Organization](#), Governance Professionals of Canada.

[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.

[State of Purpose Governance in Canada](#), Canadian Purpose Economy Project.



Acknowledgement

The Purpose Governance Guidelines are based on research conducted by Coro Strandberg, Chair of the Canadian Purpose Economy Project. Coro is a Faculty Member for Governance Professionals of Canada and The Directors College where she trains directors and governance professionals on ESG and Purpose Governance.

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