

DISCLOSING WITH PURPOSE

Guidance for preparers and
users of purpose disclosures

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ABOUT THE AUTHOR

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Introduction

Why are purpose disclosures needed?

Businesses are increasingly recognizing the benefits of articulating their fundamental purpose – why they exist. Among the benefits, many businesses of all sizes, from family enterprises to multinationals, are defining their purpose to be active participants in creating a better world. The Canadian Purpose Economy Project (CPEP) defines this growing cohort as social purpose businesses (see definition below).

Social purpose definition: A social purpose business is a business whose reason for being is to create a better world. Its purpose is to profitably solve the problems of people and the planet without causing harm to either. It is the company’s strategic optimal contribution to long-term well-being for all.³

The purpose of the corporation is a topic that has been explored and debated for decades.⁴ In recent years, and especially since the global pandemic, there is growing understanding that business can and should be a positive force in society, creating value for shareholders and stakeholders alike.⁵ Investors therefore have a strong interest in understanding how a business defines its purpose, making purpose an important area for disclosure.⁶ Before advocating for more disclosure of any kind, we must be sensitive to the view that reasonable balance is needed because disclosure regimes have costs for preparers and excessive disclosure could overwhelm investors, making it harder for them to identify information that is truly material. However, it is hard

¹ www.solsticeworks.ca

² Susan Todd, *Accounting for Purpose: A Discussion Paper on Social Purpose Accounting, Reporting and Assurance*, CPEP, July 2023, https://purposeeconomy.ca/wp-content/uploads/2023/08/CPEP_Accounting-for-Purpose_Briefing-Paper_2023.pdf

³ Canadian Purpose Economy Project (CPEP), <https://purposeeconomy.ca/about-us/>

⁴ The evolving understanding of the purpose of the corporation is beyond the scope of this paper, but has been the subject of several articles and reports in the decades since Milton Friedman asserted “The Social Responsibility of Business is to Increase its Profits,” New York Times, September 13, 1970, <https://www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html>

⁵ Recent analysis includes a keynote address to the Harvard Kennedy School by Colin Mayer, Oxford University, February 21, 2019, https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/files/Mayer_2.19.19.transcript.pdf; and contributions to the Great Transition Initiative Forum, December 2019, by Allen White, *Corporations in the Crosshairs: From Reform to Redesign*, opening essay, <https://greattransition.org/gti-forum/csr-white>, and by Alan Willis, *Revamp Corporate Charters*, <https://greattransition.org/gti-forum/csr-willis>. See also The British Academy, *Policy & Practice for Purposeful Business: The final report of the Future of the Corporation programme*, 2021, <https://www.thebritishacademy.ac.uk/documents/3462/Policy-and-Practice-for-Purposeful-Business-The-British-Academy.pdf>; and Iseoluwa Akintunde and Richard Janda, *Bringing Corporate Purpose into the Mainstream: Directions for Canadian Law*, David Suzuki Foundation, 2023, <https://davidssuzuki.org/science-learning-centre-article/bringing-corporate-purpose-into-the-mainstream-directions-for-canadian-law/>

⁶ See, for example, Principles for Responsible Investment (PRI) blog by Alex Edmans, London Business School, October 13, 2020, <https://www.unpri.org/pri-blog/what-corporate-purpose-actually-means-and-how-investors-can-assess-it/6556.article>

to argue that the fundamental purpose of an organization that guides its strategy and decision-making is not material information.

While investor organizations have generally encouraged the trend toward disclosure of a company's purpose, there has also been skepticism about the quality and authenticity of some purpose statements,⁷ highlighting the risk of purpose-washing. Purpose statements may be seen as little more than marketing slogans if they are not backed up with evidence that the purpose is real, and the business is on a pathway to achieve it.

The increased need for purpose accountability coincides with the arrival of new obligations⁸ for sustainability, or environment, social and governance (ESG), reporting.⁹ Preparers may be feeling overwhelmed by the rapid shift from voluntary to mandatory disclosures. This could lead some to say purpose reporting needs to take a back seat at this time, while others will see it as a perfect opportunity to build on sustainability reporting momentum and integrate purpose disclosures where they make sense.

Who is this guidance for?

Currently, companies that have embraced their purpose and want to disclose their progress lack guidance on how to do so. This guidance for preparers and users of purpose disclosures aims to fill that need. It proposes a voluntary framework consisting of purpose disclosure objectives with examples of how to fulfill them ("the framework"). The guidance is informed by familiar disclosure elements in other standards and frameworks.

The primary audience for this guidance will be the preparers and users of social purpose disclosures, but the framework has relevance to any business that wants a structured and credible way to report on its purpose, whether or not it's a social purpose.

What is in this guidance?

Part 1 includes an introduction and summary of the purpose disclosure guidance. Part 2 follows with an explanation of the framework elements, showing examples of current practice for each element, and discussion of some conceptual and practical issues addressed by the framework. Part 3, the core of the guidance, is the detailed framework. Part 4, supporting information, includes frequently asked questions, sources and acknowledgements. The Appendix provides tools for using these purpose disclosures with the International Sustainability Standards Board (ISSB) standard International Financial Reporting Standards (IFRS) S1¹⁰ or the Integrated Reporting Framework.¹¹

Examples from current practice have been included to illustrate possible approaches to parts of each element.

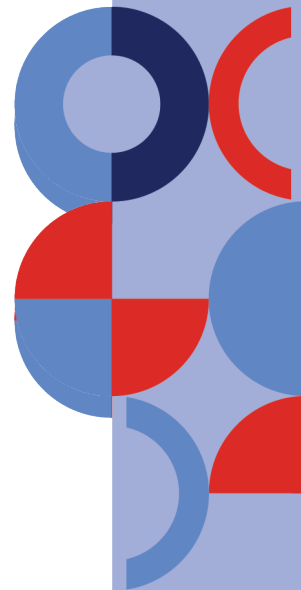
⁷ See, for example, McKinsey collaborative article *More than a mission statement: How the 5Ps embed purpose to deliver value*, November 5, 2020, <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/more-than-a-mission-statement-how-the-5ps-embed-purpose-to-deliver-value>

⁸ This includes the European Sustainability Reporting Standards (ESRS) https://finance.ec.europa.eu/news/commission-adopts-european-sustainability-reporting-standards-2023-07-31_en and standards of the International Sustainability Standards Board (ISSB) <https://www.ifrs.org/groups/international-sustainability-standards-board/>

⁹ While sustainability and ESG have distinctions, those differences are not significant for the purpose of this paper, and we use the terms interchangeably here.

¹⁰ IFRS Sustainability Disclosure Standard S1: General Requirements for Disclosure of Sustainability-related Financial Information, <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements/>

¹¹ Integrated Reporting Framework, 2021, <https://integratedreporting.ifrs.org/resource/international-ir-framework/>



How we developed this guidance

Research was conducted from November 2023 to May 2024. We consulted existing purpose guidance in the form of related standards, research reports, commentaries and other literature; reviewed purpose reporting practices of 10 Canadian and international companies; and conducted 11 interviews. Interviewees included individuals from large and small companies, investors, academics, assurance providers and experts in corporate reporting. We reviewed the draft paper, including the disclosure framework, with a focus group that included interviewees and others, and incorporated their feedback.

We anticipate that as reporters use this guidance in varied settings, some disclosures and metrics may rise to the top and become commonly used. This framework could be updated over time to both reflect and guide evolving best practice.

Part 1: Summary

Growing into purpose disclosures

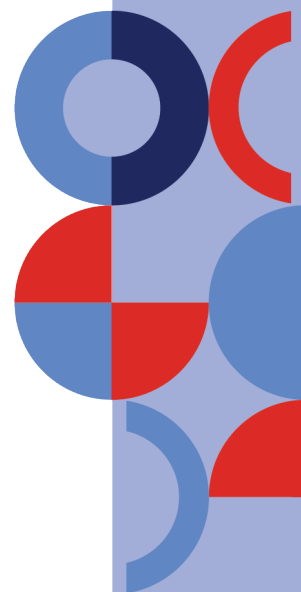
The table **Summary of purpose disclosures** is an overview of the purpose disclosure framework, colour-coded to show how reporters can develop their purpose reporting capabilities over time. It includes seven core disclosure elements, with supporting objectives. Blue disclosures (8) are foundational and should be provided by all purpose reporters. Most blue disclosure objectives can be accomplished through narrative description and do not require quantitative information. Orange disclosures (10) should be added by maturing purpose reporters. Pink disclosures (6) demonstrate more sophistication in purpose integration and analysis, often including metrics, and may develop over a few reporting cycles.

Summary of purpose disclosures

Disclosure Elements	#	Disclosure Objectives
		Enable disclosure users to understand:
Purpose Meaning and Development	1	The organization's stated purpose and what it means in specific terms.
	2	How the purpose was developed or updated, including the role of stakeholders.
	3	How users can access purpose disclosures.
Business Model and Prospects	4	How the purpose drives the organization's commercial success.
	5	How the organization leverages, or is changing, its business model to achieve its purpose.
	6	How the organization engages its value chain, relationships and stakeholders to achieve its purpose.
Strategy	7	How any vision statement of the organization reflects its purpose.
	8	How the organization's strategic business goals, objectives and targets provide a pathway to realizing the purpose.

Culture and Human Resources	9	The commercial and financial impact of the purpose.
	10	How the organization resources the purpose financially.
	11	How the organization aligns its culture with its purpose.
	12	How the organization integrates its purpose in human resource management.
Governance and Accountability	13	How responsibilities for purpose oversight are reflected in board terms of reference, mandates, role descriptions and other related policies.
	14	How board recruitment, education and evaluation contribute to oversight of the purpose.
	15	Management's role in the governance processes, controls and procedures used to monitor, manage and oversee purpose integration and achievement.
Risks and Opportunities	16	How purpose integration and achievement are reflected in CEO and executive objectives and incentives.
	17	The significant risks to the achievement of the purpose or arising <i>from</i> the pursuit of the purpose.
	18	How the organization identifies and manages significant <i>risks to</i> the purpose (i.e., risks that could affect achievement of its purpose).
	19	How the organization identifies and manages significant <i>risks from</i> the organization pursuing its purpose.
Measurement	20	How the organization identifies and manages significant <i>opportunities for or from</i> the organization's purpose.
	21	The description of the organization's purpose measurement framework for evaluating both purpose integration (process) and purpose achievement (performance).
	22	The actual results in relation to process and performance targets.
	23	The assumptions, methods and standards that support reliability and promote credibility of metrics.
	24	The methods to enhance the quality and credibility of disclosures.

For the full table, including examples and suggested metrics, see Part 3.



Part 2: Understanding and using the framework

Framework principles

Several themes recurred throughout the research process. We have distilled them into a set of seven principles that guided the development of the framework:

1. **Flexibility:** Applicable to any type of business – from large publicly traded companies to small family enterprises.
2. **Voluntary:** Does not create mandatory reporting obligations.
3. **Compatibility:** Builds on and works with other disclosure requirements, such as the ISSB (CSSB¹²) standards and the Integrated Reporting Framework.
4. **Objectives-based:** Is not overly prescriptive and is designed to avoid a checklist mentality, while providing guidance through options or examples.
5. **Information mix:** Includes a mix of qualitative and quantitative disclosures that preparers can grow into.
6. **Progress:** Encourages disclosure of action on both embedding the purpose and achieving it.
7. **Business oriented:** Explicitly recognizes the business value of the purpose.

Regarding 1 and 5 above, the framework is colour-coded so that users can match their disclosure ambition to the maturity of their purpose. With respect to 3 above, the framework's Disclosure Elements include and adapt the four pillars (governance, strategy, risk management, and metrics and targets) established by the Taskforce on Climate-related Financial Disclosures (TCFD)¹³ and since incorporated into the ISSB's standards. Other elements have been incorporated from the Integrated Reporting Framework, notably organizational overview, business model, performance and outlook. Some elements have been renamed or rearranged in comparison to these other frameworks. Most significantly, targets are introduced in the Strategy section, while performance against targets is in the Measurement section. Metrics may be presented throughout, while key performance metrics that are part of the purpose measurement framework are in the Measurement section. To assist businesses that are already committed to the ISSB's standards or the Integrated Reporting Framework, in the Appendix, we have shown how purpose disclosures could fit within those frameworks.

Using the framework elements

Purpose meaning and development

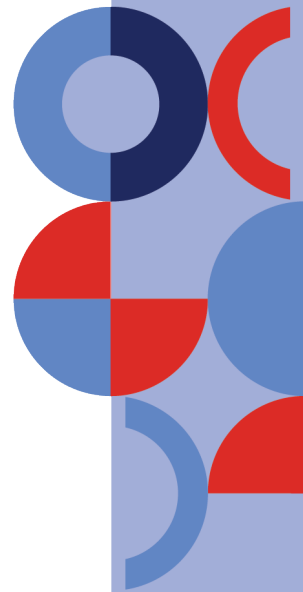
Good purpose disclosure begins with a statement of the company's purpose, accompanied by a clear and specific explanation of what it means.

The explanation of the purpose statement could include:

- The definition of specific words in the statement;
- How the company will realize its ambition;
- How the purpose creates value for the company, its stakeholders and society;
- The company's specific contribution(s) to the challenges or impacts it addresses;
- How the company will allocate resources to the purpose;
- How the purpose will direct strategy and guide decision-making; and
- How the company will be accountable for its purpose.

¹² Canadian Sustainability Standards Board, <https://www.frascanada.ca/en/cssb>

¹³ Task Force on Climate-related Financial Disclosures, <https://www.fsb-tcfid.org/>



The explanation may express the company's theory of change, or how its intervention leads to positive change in society.¹⁴

“I’m looking for an unequivocal purpose statement in a report that they can be held accountable for.”

– Interviewee

Companies may support their enduring purpose with a long-term vision statement, which may be reset periodically. The vision articulates how the world will be better in the future through the company's achievement of its purpose. For example, Maple Leaf Foods has a purpose to “Raise the Good in Food,” which is supported by its vision to “be the most sustainable protein company on Earth.” The vision conveys the scope and level of ambition intended by the purpose statement and sets the context for its strategy.

“First, companies must be clear about what their purpose is. Every company’s board of directors should publish a stakeholder-inclusive Statement of Purpose that defines the positive contribution to society the company will make, and the steps it will take to eliminate its negative impact on society.... It must be unique, and not be so generic [that] it applies to all industry competitors.”

– Robert G. Eccles, Leo E. Strine, Jr., and Timothy Youmans¹⁵

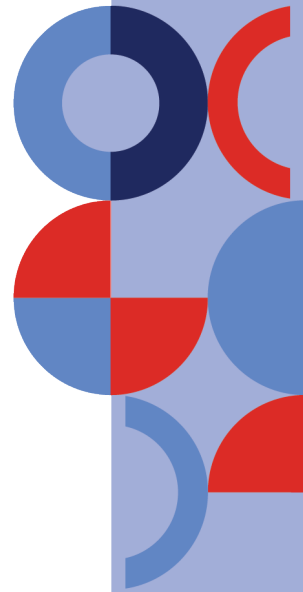
Formulating a purpose may involve trade-offs among competing priorities, interests and time horizons, as the organization allocates attention and resources to the realization of the purpose, so reporters should explain how the purpose statement was developed. If stakeholders were engaged in the purpose development process, the nature of their involvement should be disclosed.

The framework does not specify where purpose disclosures should be located. It is important that they be accessible to all stakeholders, including investors, to support accountability for the purpose. Companies may choose to locate purpose disclosures across a number of filings, reports or other communications, ideally referenced from a single index. We have observed a tendency for companies to confine their purpose disclosures to a sustainability or ESG report and note that this runs counter to the notion of the purpose as the company's reason for being.¹⁶ To demonstrate the centrality of the company's purpose, there is a strong argument for publishing purpose disclosures in the company's main accountability document, often print and online versions of its annual report.

¹⁴ The concept of theory of change first arose in the field of social work and is now used more broadly, including in sustainable development (see, for example, <https://unsdg.un.org/sites/default/files/UNDG-UNDAF-Companion-Pieces-7-Theory-of-Change.pdf> and impact measurement, <https://www.commonapproach.org/theory-of-change/>).

¹⁵ Robert G. Eccles, Leo E. Strine, Jr., and Timothy Youmans, *3 Ways to Put Your Corporate Purpose into Action*, Harvard Business Review, May 13, 2020, <https://hbr.org/2020/05/3-ways-to-put-your-corporate-purpose-into-action>

¹⁶ See discussion in Part 2.



Examples from practice¹⁷

Armour Valve, a Canadian family-owned distributor of specialty valves, piping and other industrial equipment, has a purpose that is both specific and ambitious. “We exist to transform infrastructure for a healthy, thriving planet.” Armour Valve is preparing to publish its first purpose disclosures.

Canada Goose has a purpose to “Keep the planet cold and the people on it warm” that is clearly tied to its leadership in winter clothing.

Coast Capital’s 2023 Annual Report has a detailed narrative about the process they went through to develop its purpose through research and consultation.

Business model and prospects

The framework element Business Model and Prospects¹⁸ positions the company within its value chain,¹⁹ and explains how the company leverages its assets, competencies and relationships through its business model to advance its purpose.²⁰

While social purpose businesses and not-for-profit organizations both aim for societal benefit, the social purpose business does so “profitably.”²¹ The Business Model and Prospects element is where the reporting company explains specifically how it is improving the world and realizing business success in the process, however it defines success.

The process of formulating a purpose can lead a business toward a fundamental rethink of its definition of success, beyond shareholder value creation. By engaging with stakeholders and considering its purpose, the company may acquire a perspective that is both broader and longer term. This may further help the company if it intends to follow other reporting frameworks and standards, as these increasingly have a value-chain scope and longer time horizon.²²

Similar to the first element, the quality of Business Model and Prospects disclosures depends on their specificity. Simply saying that shareholder value and purpose-related values will converge could be purpose-washing for many companies. Companies should be frank about the limitations they face in implementing their purpose. Once again, time frame matters. Short-term limitations or demands on resources may resolve as the company matures its purpose and orients its business model to support it.

Reporters may use a diagram to convey their model, as proposed in the Integrated Reporting Framework.

¹⁷ Links to company reports are included in Part 4.

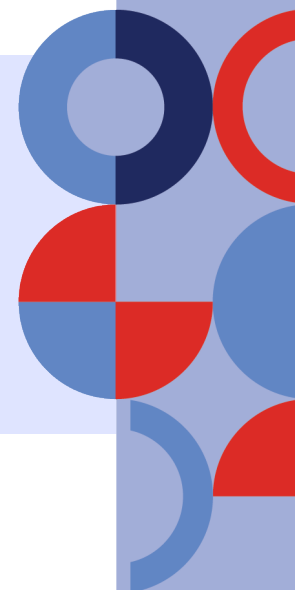
¹⁸ Our use of the term “business model” aligns closely with how it is used in the Integrated Reporting Framework. The term “prospects” is drawn from IFRS S1 and has the meaning in that standard but broadens it to also include the prospects for stakeholders and society.

¹⁹ We use the IFRS S1 definition of value chain, “The full range of interactions, resources and relationships related to a reporting entity’s business model and the external environment in which it operates.”

²⁰ Two resources for customer experience and product evolution are: Social Purpose Practice: Customer Lifecycle, <https://corostrandberg.com/wp-content/uploads/2024/07/social-purpose-customer-lifecycle-jul-2023.pdf> and Social Purpose Practice: Product Transition, <https://corostrandberg.com/wp-content/uploads/2024/07/social-purpose-product-transition-jul-2023.pdf>

²¹ See definition in Introduction.

²² For example, the Integrated Reporting Framework, IFRS S1 and S2, and the GRI Standards.



Examples from practice

BCLC's value creation model reflects guidance in the Integrated Reporting Framework. It shows how BCLC's social purpose, vision and goals drive the transformation of value from inputs toward the value it creates – for its players and customers, people, industry and community – and includes funds returned to its government shareholder for broader societal benefit.

Coast Capital's social purpose, “building better futures together,” combined with its vision “to unlock financial opportunities and grow incomes, to positively impact people and communities” creates a future orientation and a broad stakeholder perspective. In its *2023 Annual Report*, Coast Capital describes the social context in which it operates, where many people and businesses are struggling, establishing the need it aims to fill through its purpose.

TELUS describes its social purpose as “leveraging our global-leading technology and compassion to drive social change and enable remarkable human outcomes.” By positioning its technology competency at the front of this statement, TELUS leaves no doubt that its purpose actions will be aligned with business goals.

Strategy

The integration of purpose in business strategy is a key marker of an authentic purpose. The framework element of Strategy includes the vision, goals, objectives and targets that collectively delineate the pathway to accomplishing the business purpose.

Strategy was one of the criteria used by Corporate Knights to assess the degree of purpose implementation in its pioneering report, *The Social Purpose Transition Pathway*,²³ and it stands out in other purpose strategy resources reviewed. The strategy element is where the purpose gets real. Report users want to see the purpose and its connection to strategy disclosed in mainstream business reporting (see Maple Leaf Foods example below).

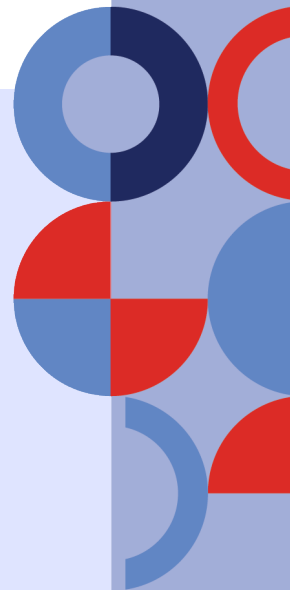
In 2024, CPEP published *Social purpose strategy: Bring your corporate purpose to life*.²⁴ It lays out a practical approach to social purpose strategy development and can be used by report preparers to demonstrate how their purpose is executed through the corporate strategy.

Some investors are interested in the allocation of resources as an indicator of purpose integration in strategy. They would like to see whether social purpose is a consideration in where companies put the capital expenditure emphasis. The importance of resource allocation to embedding purpose also appears in an article from McKinsey. “Senior leaders allocate capital and resources with purpose in mind. And employees think about purpose all the way, making it a part of their decision making as a matter of course.”²⁵ Financial resource allocation is treated as an advanced disclosure in this framework.

²³ Corporate Knights, *The Social Purpose Transition Pathway*, March 2022, <https://www.corporateknights.com/wp-content/uploads/2022/04/The-Social-Purpose-Transition-Pathway-March-2022-Full-Report.pdf>

²⁴ CPEP, *Social purpose strategy: Bring your corporate purpose to life*, September 2024, <https://purposeeconomy.ca/wp-content/uploads/2024/08/CPEP-Social-Purpose-Strategy.pdf>

²⁵ McKinsey collaborative article, *More than a mission statement: How the 5Ps embed purpose to deliver value*, November 5, 2020, <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/more-than-a-mission-statement-how-the-5ps-embed-purpose-to-deliver-value>



Examples from practice

Maple Leaf Foods highlights its purpose and vision in its *2023 Annual Report to Shareholders*, reporting on its “refreshed strategic blueprint that reflects the next phase in the evolution of achieving its vision.” It then lays out the 15 points in its strategic plan.

Co-operators defines its purpose as “financial security for Canadians and our communities.” Evidence of the integration of this purpose comes through explicit links to long-term goals and strategic priorities in its *2023 Integrated Annual Report*.

Unilever reports on all its brands through a lens of “purpose, science, desire,” further strengthening its purpose “to make sustainable living commonplace.”

Culture and Human Resources

This element captures the ethos and values of a business, which are brought to life through the tangible and intangible aspects of culture, such as systems, processes, incentives, routines and stories. The degree to which purpose can be authentically embedded in culture depends in large part on people management, so this element includes human resources.²⁶ The awareness and embracing of the company’s stated purpose by its people can be considered a leading indicator of purpose achievement and should be part of purpose disclosures.

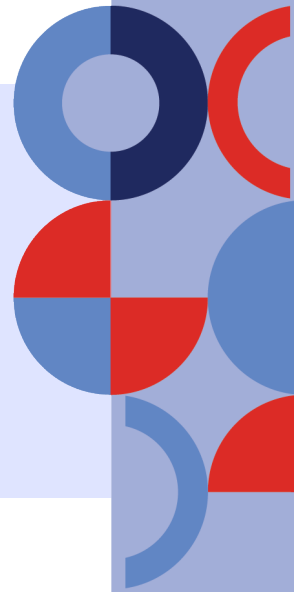
Many reporters state they have a purpose-led or purpose-driven culture, but this is rarely explained, making it hard for investors or other stakeholders to distinguish organizations that truly align their culture to their purpose. Reporters could shed light on the alignment by answering questions such as the following:

- How do the company’s values reinforce the purpose?
- To what extent do employees understand and support the company’s purpose?
- How has the drive to achieve your purpose influenced workforce planning and skills development?
- Does the company’s performance management system, and structure of incentives, support or detract from the purpose?

“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.”

– Corporate Knights, *The Social Purpose Transition Pathway*

²⁶ These two resources provide information and best practices on how to embed purpose into values and the employee experience: Social Purpose Practice: Employee Lifecycle, <https://corostrandberg.com/wp-content/uploads/2024/07/social-purpose-employee-lifecycle-jul-2023.pdf>, and Social Purpose Practice: Values, <https://corostrandberg.com/wp-content/uploads/2024/07/social-purpose-values-jul-2023.pdf>



Examples from practice

BCLC has embedded purpose into its employee engagement survey to enable monitoring of BCLC's social purpose commitment.

TELUS reports that “purpose is at the heart of everything we do. It is embedded into every aspect of our business and woven into the fabric of our culture, inspiring us to create the circumstances necessary to make the world a better place.”

Governance and Accountability

Governance is foundational to purpose disclosures. Even very early-stage purpose reporters can disclose the role played by their board (or other governing body) in approving and overseeing the company's purpose. Governance expert Colin Mayer describes how central the purpose is to the role of the board, and effectively links several elements of the framework.²⁷

“The role of the board is then predominantly to oversee the determination of the corporate purpose, ensure that it is the overarching framework within which strategy is formulated, and establish an internal culture, measurement and incentive system that aligns corporate values and metrics with the delivery of purpose.”

– Colin Mayer, University of Oxford

Despite the importance of governance to an understanding of a company's purpose integration, other researchers have found that boards face some disclosure challenges. A CPEP research report into the state of purpose governance in Canada found that many boards don't know how purpose impact or progress should be measured, how to monitor purpose integration and impact, or how to report on and disclose progress on the purpose.²⁸ The findings reinforce the purpose governance gap reported by Corporate Knights.

Of all the framework elements, governance is the most well-established area of need and the one with the most existing guidance. Other resources that identify a board's responsibility for purpose include:

- ISO 37000, *Governance of Organizations – Guidance*²⁹ puts purpose at the centre of its governance model.
- *Purpose Governance Guidelines for Boards*³⁰ prompts directors to disclose the company's purpose, monitor progress and report publicly on how it is embedded within strategy, risk performance and culture.
- *Purpose and Stakeholder Governance Best Practices*³¹ establishes a board responsibility for not only purpose governance, but also stakeholder oversight, including the degree to which stakeholders are engaged in helping the company achieve its social purpose.

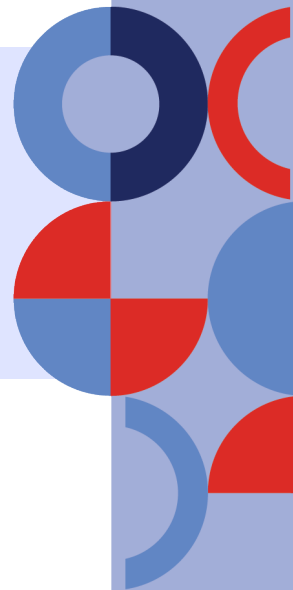
²⁷ Colin Mayer, *The Governance of Corporate Purpose*, Law Working Paper No. 609/2021, University of Oxford, CEPR and ECGI, September 2021, https://www.ecgi.global/sites/default/files/working_papers/documents/mayerfinal_1.pdf

²⁸ CPEP, *State of Purpose Governance in Canada*, March 2024, https://purposeeconomy.ca/wp-content/uploads/2024/03/CPEP_State-of-Purpose-Governance-Report.pdf

²⁹ International Organization for Standardization, ISO 37000:2021, *Governance of Organizations – Guidance*, <https://www.iso.org/standard/65036.html>

³⁰ CPEP, *Purpose Governance Guidelines for Boards*, April 2024, <https://purposeeconomy.ca/wp-content/uploads/2024/04/Purpose-Governance-Guidelines-Report.pdf>

³¹ CPEP, *Purpose and Stakeholder Governance Best Practices: Literature Review and Guidance on the Board's Role in Purpose and Stakeholder Oversight*, April 2023, https://purposeeconomy.ca/wp-content/uploads/2023/12/Purpose-and-Stakeholder-Governance-Best-Practices_2023.pdf



The framework recommends early-stage disclosures include descriptions of both board and management roles in governance, similar to IFRS S1. More advanced disclosures could include board recruitment, education and evaluation processes, and the integration of purpose in CEO and executive incentives. The connection between purpose and incentives was also part of the Corporate Knights assessment.

Examples from practice

Kingfisher, a U.K. home-improvement company, states that “the board defines our purpose, values and strategy, and aligns them with our culture.”

Coast Capital reports that its board director education sessions included one on the role of boards in ESG and purpose governance and another on its Purpose Impact Measurement Framework.

Risks and Opportunities

A 2023 Deloitte report on the role of risk and internal audit functions in relation to purpose³² observed that companies with a purpose face two kinds of risk: risks to their purpose and risks from their purpose. Risks to the purpose are those that affect the company’s ability to achieve the purpose. Risks from their purpose include new risks that arise or existing risks that are magnified by establishing and pursuing the purpose. Both kinds of risk should be disclosed. Deloitte added that the risk function supports governance by “advising the Board and senior leaders on both the ‘risk of purpose’ and ‘risk to purpose.’” Our framework includes both kinds of risk. Beginning reporters can start by identifying the risks and more mature reporters could disclose how they manage them.

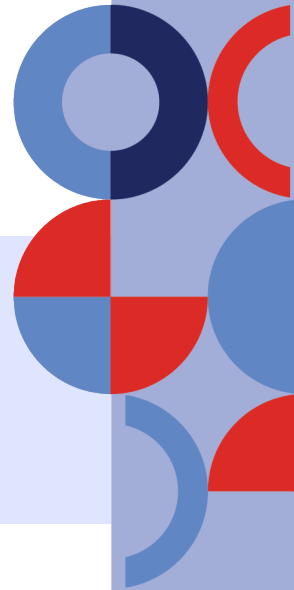
In 2024, CPEP published *Enhancing risk management practices: A how-to guide for social purpose companies*.³³ It calls for social purpose companies to update their risk models and policies to address specific risks emanating from having a social purpose. Both beginning and mature reporters can use this document to determine their purpose risk agenda and disclosures.

A business may also reveal opportunities by pursuing its purpose – by leveraging new relationships, unlocking new markets or reallocating resources, for example, and these should be disclosed.

In our research, we did not find any examples of risk or opportunity disclosures specific to purpose. An interviewee commented that current disclosures around sustainability risks rarely add value because they tend to be boilerplate. Purpose reporters wishing to distinguish themselves will need to be specific about the risks and opportunities they face and how they manage them.

³² Deloitte, *How Risk and Internal Audit Operate in Social Purpose Companies*, March 2023, https://purposeeconomy.ca/wp-content/uploads/2023/05/FINAL_031623-BCLC-White-Paper-Risk-and-IA.pdf

³³ CPEP, *Enhancing risk management practices: A how-to guide for social purpose companies*, September 2024, <https://purposeeconomy.ca/wp-content/uploads/2024/08/CPEP-2024-Risk-Management.pdf>



Measurement

As we have seen with ESG reporting, there is a global push for harmonization and standardization in measurement approaches, and expectations that organizations follow accepted protocols for reporting are likely to intensify. This framework contributes to harmonization while recognizing that each company's purpose is unique.

The Measurement element addresses both how the business measures progress and the actual results. Progress can be measured inwardly, as in deeper integration of the purpose in the business, and outwardly, as in the achievement of purpose goals. The CPEP discussion paper *Accounting for Purpose*³⁴ distinguishes these as *process*³⁵ and *performance*³⁶ measures and suggests that both need metrics.

With respect to *performance* measures, some purpose statements address specific needs, such as financial security (Co-operators), or housing (Kingfisher), while others aim for broad sustainability (Unilever and Maple Leaf Foods). Those with a broad sustainability-oriented purpose may find it helpful to use standard social and environmental metrics found in existing ESG standards. The more specific and unique the company's purpose, the more likely it will need to create in-house metrics. In-house purpose performance metrics can still benefit from best practice guidance, such as from the field of impact measurement. Through the Common Approach,³⁷ much work has been done to standardize impact reporting measurement for social and environmental impact-oriented organizations (mostly not-for-profits, but also B Corps and other social purpose organizations). The British Standards Institute guidance for purpose-driven organizations³⁸ advises them to report on how the purpose is achieved or not, and why, in the form of an assessment. The assessment could consider the success of the company's purpose-guided strategy, and its impact, including unintended consequences, if any.

“Purpose can and should be measured rigorously. In practice, this means identifying the key performance indicators that tie to your company's purpose, tracking them over time, and incenting your organization to meet purpose targets.”

– McKinsey

Companies that are just starting on their purpose reporting path may not have much performance to report. Their focus should be on evaluating and disclosing the process of integrating their purpose, and here, too, they can look to existing guidance, such as the Social Purpose Assessment tool of the United Way BC Social Purpose Institute.³⁹ Some parts of the framework could be evaluated with reference to generic standards, such as ISO 31000 (Risk Management) and ISO 37000 (Governance).

³⁴ Susan Todd, *Accounting for Purpose: A Discussion Paper on Social Purpose Accounting, Reporting and Assurance*, CPEP, July 2023, https://purposeeconomy.ca/wp-content/uploads/2023/08/CPEP_Accounting-for-Purpose_Briefing-Paper_2023.pdf

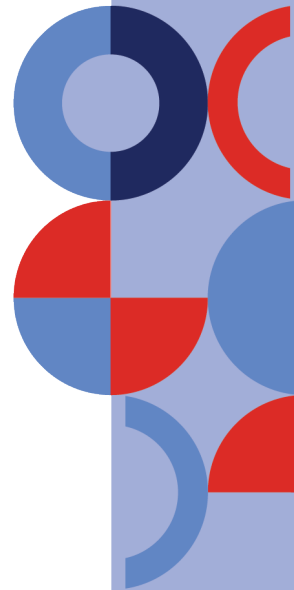
³⁵ This resource provides information and best practices on how to develop process metrics: United Way BC Social Purpose Institute, *Social Purpose Practice: Process Metrics*, March 2022, https://uwbc.canto.com/direct/document/29sbgsv65d7pl51br4hk5tuv30/1sdcHK0hcLj50VL-Hw48yJRPeB0/original?content-type=application%2Fpdf&name=UW+SPP+Kit_Process+Metrics+3.0.pdf

³⁶ This resource provides information and best practices on how to develop impact goals: Social Purpose Practice: Impact Goals, <https://corostrandberg.com/wp-content/uploads/2024/07/social-purpose-impact-goals-jul-2023.pdf>

³⁷ Common Approach to Impact Measurement is “working towards flexible, shareable impact measurement for social purpose organizations.” <https://www.commonapproach.org/our-story/>

³⁸ BSI – PAS 808:2022, <https://www.bsigroup.com/en-GB/standards/pas-808/>

³⁹ A freely available version of the United Way BC Social Purpose Institute Social Purpose Assessment tool has 25 practices. <https://socialpurpose.ca/sp-assessment/>



As businesses mature into their purpose, the performance measurement framework for purpose will necessarily evolve. The experience of pursuing its purpose can lead a company to redefine success (see Business Model and Prospects) and that could inspire new measurement approaches or metrics. The Deloitte report⁴⁰ suggests that the progression might be from measuring engagement with the purpose, through compliance with purpose-related process, to societal impact.

“Metrics may evolve. Our first set of purpose metrics may give way to a new set.”

– Social purpose business executive

Examples from practice

Unilever has a broad sustainability purpose “to make sustainable living commonplace.” Unilever has four sustainability priorities emanating from its purpose, including climate change, and it is using two frameworks from the ESG world to report on the climate aspect of its purpose, the Science Based Targets initiative (SBTi), and the Task Force on Climate-related Financial Disclosures (TCFD).

Philip Morris International (PMI) has a more specific purpose of “delivering a smoke-free future.” PMI developed its own metrics to show progress toward the purpose, such as the percentage of net revenues attributable to smoke-free products; metrics that are not present in ESG reporting standards.

As purpose disclosures become more established, there may be calls for independent assurance of the disclosures. Our previous paper *Accounting for Purpose* found that reporters, assurance providers and other stakeholders see assurance on purpose as a longer-term prospect, and it looks at additional ways companies can enhance the credibility of their disclosures, such as through stakeholder engagement.⁴¹

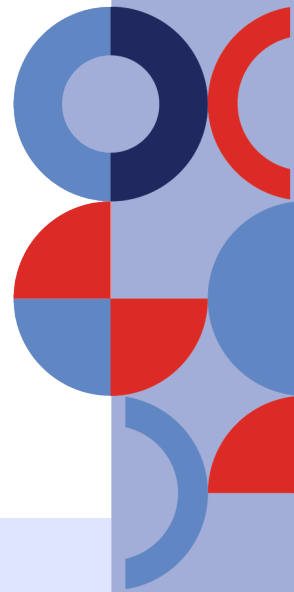
Conceptual and practical issues in purpose reporting

How do purpose disclosures relate to sustainability or ESG disclosures?

While we recognize the benefits of harmonizing with and building on existing disclosure frameworks, it is important to highlight an important distinction between ESG/sustainability and purpose disclosures. Since the emphasis in ESG reporting is on standard disclosures that enable comparability, the ESG metrics may be seen as peripheral to business priorities for any business that has not embraced sustainability as a strategic matter. In contrast, an organization’s purpose is its guiding North Star. It is central and enduring. For many businesses, however material the related risks and opportunities, advancing sustainability in society broadly is not its reason for being. Therefore, sustainability reporting frameworks may fall short as a tool for purpose accountability. They are not designed to provide evidence of how deeply the purpose is embedded in the organization or of the progress they are making to achieve it.

⁴⁰ Deloitte, *How Risk and Internal Audit Operate in Social Purpose Companies*, March 2023, https://purposeeconomy.ca/wp-content/uploads/2023/05/FINAL_031623-BCLC-White-Paper-Risk-and-IA.pdf

⁴¹ For a discussion of how stakeholder panels can add credibility, see Susan Todd, *Accounting for Purpose: A Discussion Paper on Social Purpose Accounting, Reporting and Assurance*, CPEP, July 2023, https://purposeeconomy.ca/wp-content/uploads/2023/08/CPEP_Accounting-for-Purpose_Briefing-Paper_2023.pdf



“Purpose and CSR/ESG are related but distinct undertakings, and it is necessary to have best practices in both. Companies should understand and address their environmental and social impacts and at a minimum aim for zero negative impacts – this is non-negotiable and table stakes for business. However, it is not why a company exists.”

– Corporate Knights

A growing number of businesses, however, recognize sustainability as a strategic imperative, even if it isn't their reason for being. The closer sustainability is woven into their business strategy, the more likely they are to align with sustainability frameworks, such as the United Nations Sustainable Development Goals⁴² (SDGs) and to use sustainability reporting standards for measuring and disclosing their purpose.

“Our strategic plan is essentially a sustainability plan. It positions us to ask how we will fulfill our purpose and pursue our vision of being a catalyst for a resilient and sustainable society – not just over the next quarter, the next year, or even the next four years, but with future generations in mind.”

– Chad Park, vice president of sustainability and citizenship, in Co-operators 2023 *Integrated Annual Report*

Example from practice

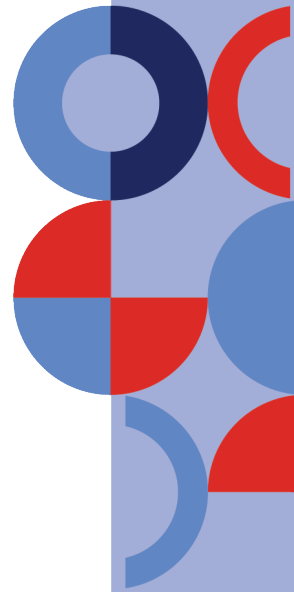
Co-operators identifies as a co-operative and a social purpose business. Its 2023 *Integrated Annual Report* centres its purpose: “financial security for Canadians and our communities” and explains what it means with reference to its vision, values and co-operative principles. Its long-term goals link business success to the sustainability and resiliency of its members, clients and Canadian communities. It tracks its progress through a blend of SDG-related indicators and some in-house metrics (e.g., percentage of revenue that is aligned with a “resilient, and sustainably and inclusively prosperous” future; percentage of investments in impact, resilience or climate transition). For this business, sustainability metrics serve as purpose performance metrics.

How can materiality analysis help us identify purpose opportunities?

Materiality assessments have become standard practice for companies to identify material sustainability topics and areas for disclosure. Depending on their scope, they may focus on financially material sustainability risks and opportunities (financial materiality), significant impacts on people or the environment (impact materiality) or both (double materiality). The assessments usually produce some kind of ranking of topics with more and deeper disclosure recommended for the top ranked issues/topics.

Companies do not appear to be systematically integrating purpose into their materiality assessments. This is a missed opportunity because the materiality process, especially if it is designed to assess outward impact, could point to an opening for purpose. While we cannot say that PMI's purpose to deliver a smoke-free future arose from a materiality analysis (see practice example under Measurement), there is no question that the purpose is

⁴² United Nations, Sustainable Development Goals, <https://sdgs.un.org/goals>



oriented toward avoiding material harm. We can imagine that in any ranking of PMI's material topics, this opportunity for harm reduction would rise to the top – to a level reserved for issues that are material to the company's reason for being. Thus, we would add the notion of *purpose materiality* to the materiality lexicon, to recognize those issues or topics that are so significant that they can affect the company's purpose.

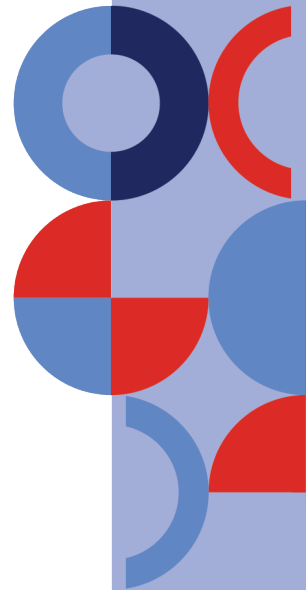
One consulting organization argues that purpose and sustainability are mutually supportive, and that materiality analysis can be used to identify “where we have the potential to do material harm and where we have the opportunity to do measurable good.”⁴³ It suggests that significant social and environmental impacts be considered in developing purpose statements, to avoid purpose-washing risks. “Without Purpose, ESG is a compliance exercise aimed at ‘doing no significant harm.’ But without ESG, Purpose can lack substance.” A materiality analysis that includes a good understanding of the organization's business model, and stakeholder engagement, can help to identify impacts for consideration.

Part 3: Purpose disclosure framework

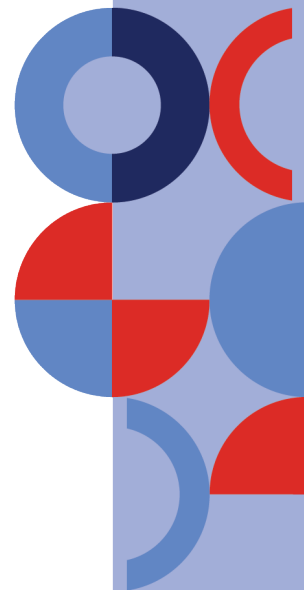
The table below expands on the Summary of Purpose Disclosures in Part 1 with the addition of illustrative examples of how purpose reporters could satisfy the objectives of disclosure. As noted in the Summary, colour coding shows how reporters can grow into the framework over time. It includes seven core disclosure elements, with supporting objectives. The illustrative examples show some of the ways reporters might fulfill these objectives, but they should not be taken as requirements. This may inhibit comparison between companies, but at this early stage in purpose disclosure, it may be more useful to encourage some experimentation in meeting the objectives.

Blue disclosures (8) are foundational and should be provided by all purpose reporters. Most blue disclosure objectives can be accomplished through narrative description and do not require quantitative information. Orange disclosures (10) should be added by maturing purpose reporters. Pink disclosures (6) demonstrate more sophistication in purpose integration and analysis, often including metrics, and may develop over a few reporting cycles.

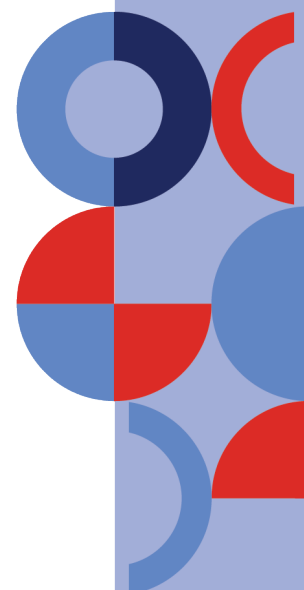
⁴³ Blurred, *Closing the ESGP Gap*, April 2023, <https://static1.squarespace.com/static/5b966ced5ffd20835d9c4197/t/645102304bcd51464454f621/1683030579294/Closing+The+ESGP+Impact+Gap.pdf>



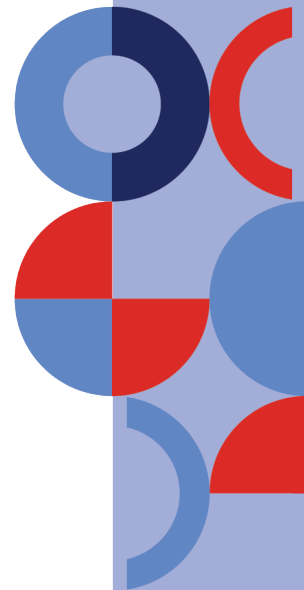
Disclosure Elements	#	Disclosure Objectives	Illustrative Examples	Illustrative Examples
		Enable disclosure users to understand:	Qualitative	Quantitative
Purpose Meaning and Development	1	The organization's stated purpose and what it means in specific terms.	<p>Purpose statement, including what it means.</p> <p>Articulation of the specific contribution the organization intends to make to the long-term well-being of people and/or the planet by pursuing its purpose. This could include its theory of change.</p> <p>Date the purpose was last revised, including the nature of and reason for the revision, if relevant.</p>	May include supporting data for the magnitude of the challenges or impacts the purpose seeks to address.
	2	How the purpose was developed or updated, including the role of stakeholders.	<p>List of stakeholder groups engaged to develop or update the purpose, and the nature of their involvement.</p> <p>Explanation of how the organization reconciles any tensions or competing interests raised by stakeholders in developing its purpose.</p>	
	3	How users can access purpose disclosures.	Index or stated location of the published purpose disclosures, including references to regulatory filings and/or voluntary reports.	
Business Model and Prospects	4	How the purpose drives the organization's commercial success.	Discussion of the commercial prospects from pursuing the purpose (e.g., access to markets or capital, talent recruitment or innovation).	



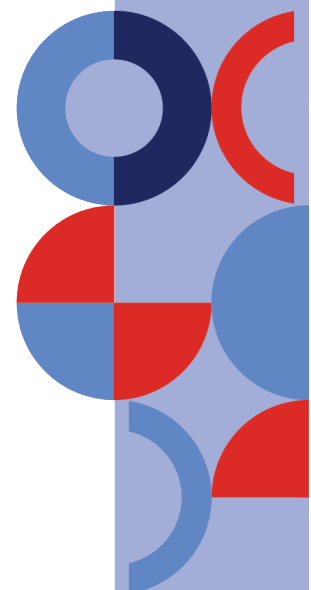
Strategy	5	How the organization leverages, or is changing, its business model to achieve its purpose.	<p>Explanation of how the organization transforms inputs, through its business activities, into outputs, outcomes and impacts to fulfill the organization's purpose.</p> <p>Explanation of the nature, scope and scale of the organization's competencies, assets, activities and relationships.</p> <p>Description of any structural changes (acquisitions, divestitures, major re-organizations) to advance the company's purpose.</p> <p>Diagram of the business model.</p>	
	6	How the organization engages its value chain, relationships and stakeholders to achieve its purpose.	<p>List of key customers, suppliers, business partners, associations, community organizations, governments and other stakeholders that are critical to realizing the organization's purpose.</p> <p>Description of relevant and significant purpose initiatives with key stakeholders in the reporting period.</p> <p>Description of measures to engage suppliers and other businesses to adopt a purpose.</p>	<p>Number and percentage of customers and suppliers that the organization has engaged to:</p> <p>a) advance its own purpose, and</p> <p>b) encourage to adopt a purpose.</p>
	7	How any vision statement of the organization reflects its purpose.	Description of the organization's vision in enough detail to clearly show where it wants to go in relation to its purpose.	
	8	How the organization's strategic business goals, objectives and targets provide a pathway to realizing the purpose.	<p>Statement of long-term and interim goals, objectives and targets in the corporate strategy, showing their relation to the purpose.</p> <p>Description of the process for setting purpose goals, objectives and targets, including the role of the board and stakeholders.</p>	



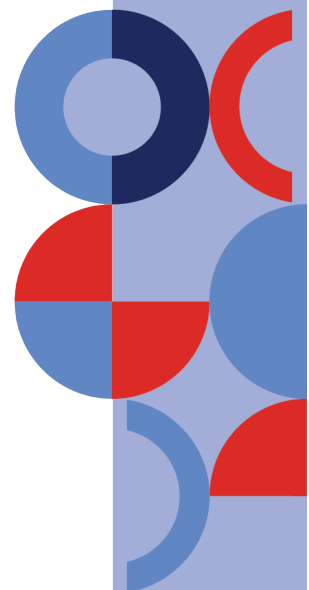
	9	The commercial and financial impact of the purpose.	<p>Deeper analysis of how pursuit of the purpose relates to commercial and financial success.</p> <p>Inclusion of baseline and forward-looking information, where possible.</p>	<p>Current and projected:</p> <p>Size of workforce</p> <p>\$ Revenues</p> <p>\$ Assets</p> <p>Market share</p> <p>Share of revenues/income from purpose-focused products and services.</p>
	10	How the organization resources the purpose financially.	<p>Description of how the purpose is reflected in operational and capital budgeting processes, and investment decisions.</p> <p>Description of the purpose's role in research and development.</p>	<p>Proportion of annual capital investment allocated to the realization of the purpose.</p>
	11	How the organization aligns its culture with its purpose.	<p>Explanation of the link between organizational values, including code of business conduct, and the purpose.</p> <p>Description of how the purpose is conveyed and reinforced through internal and external communications.</p>	
Culture and Human Resources	12	How the organization integrates its purpose in human resource management.	<p>Description of how the purpose is reflected in workforce and succession planning, employee recruitment, job descriptions, performance management, training, etc.</p> <p>Evidence of employee support for the purpose.</p>	<p>Employee engagement survey data relevant to the purpose.</p> <p>Number of employees trained on the purpose.</p>
Governance and Accountability	13	How responsibilities for purpose oversight are reflected in board terms of reference, mandates, role descriptions and other related policies.	<p>Whether oversight of the purpose is included as a responsibility in the board's charter/terms of reference.</p> <p>Whether the board approved the statement of purpose</p> <p>Date of the board's last review of the purpose.</p> <p>Specific board and committee responsibilities for monitoring</p>	<p>yes/no</p> <p>yes/no</p>



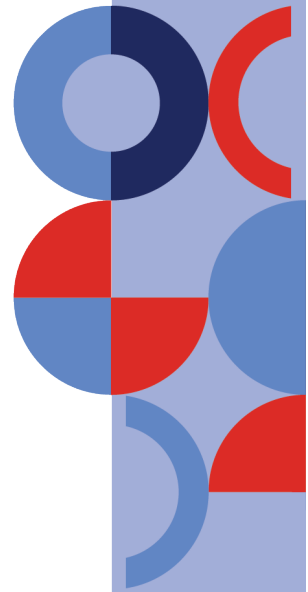
		purpose integration and achievement.	
14	How board recruitment, education and evaluation contribute to oversight of the purpose.	<p>Description of how purpose knowledge and experience are reflected in board recruitment, including both purpose governance and purpose subject matter expertise.</p> <p>Description of how purpose knowledge, integration and progress factors are included in board evaluation.</p> <p>Description of the purpose and purpose governance education provided to the board.</p>	Number of directors with expertise in purpose governance and/or the purpose subject matter.
15	Management's role in the governance processes, controls and procedures used to monitor, manage and oversee purpose integration and achievement.	Description of organizational structure and accountability for the integration and achievement of the purpose.	
16	How purpose integration and achievement are reflected in CEO and executive objectives and incentives.	<p>Description of how purpose integration and achievement are reflected in CEO and executive objectives.</p> <p>Description of CEO and executive incentive compensation structure, identifying any incentives and disincentives to purpose integration and achievement.</p>	Weighting attached to specific aspects of purpose integration and achievement within annual and long-term incentive plans.
Risks and Opportunities	17 The significant risks to the achievement of the purpose or arising from the pursuit of the purpose.	Statement of the specific risks and description of how they relate to the purpose.	



	18	How the organization identifies and manages significant <i>risks to the purpose</i> , (i.e., risks that could affect achievement of its purpose).	<p>Description of the process for identifying, assessing, prioritizing, mitigating and monitoring risks to the achievement of the purpose.</p> <p>Identification of the significant negative externalities arising from the organization's activities, including in its value chain, that could impede progress on its purpose.</p>	
	19	How the organization identifies and manages significant <i>risks from the organization pursuing its purpose</i> .	<p>Description of the process for identifying, assessing, prioritizing, mitigating and monitoring risks that could arise from the organization's purpose.</p> <p>Statement of any significant short-term financial trade-offs the organization is prepared to accept to achieve its purpose, and explanation of how that investment in the purpose will create value for the organization and over what time frame.</p>	
	20	How the organization identifies and manages significant <i>opportunities for or from the organization's purpose</i> .	<p>Description of the process for identifying, assessing, prioritizing, implementing and monitoring opportunities that arise due to the purpose.</p>	
Measurement	21	The description of the organization's purpose measurement framework for evaluating both purpose integration (process) and purpose achievement (performance).	<p>Identification of performance measures (KPIs). Measurement should cover both the integration of the purpose in the business and progress toward the purpose.</p> <p>Metrics measuring achievement of the purpose will be specific to the purpose of each organization but should draw upon recognized indicator protocols where the goals align to established topics.</p>	<p>Metrics for integration process may be found in the Social Purpose Assessment tool of the United Way BC Social Purpose Institute, for example. Metrics for environmental or social purpose outcomes and impact may be found in or derived from metrics in ISSB, GRI or SASB standards, for example.</p>



22	The actual results in relation to process and performance targets.	<p>Actual results for each KPI in the purpose measurement framework.</p> <p>Demonstration of progress toward achievement of purpose with interim milestones.</p>	Measurement or estimation for each metric with comparison to respective targets/milestones and showing trends over time.
23	The assumptions, methods and standards that support reliability and promote credibility of metrics.	Footnotes, glossary or other supporting information.	
24	The methods to enhance the quality and credibility of disclosures.	<p>Description of monitoring methods, including role of internal or external audits or assessments, to support reliability of systems and progress reports.</p> <p>Reference to any independent assurance report.</p> <p>Description of any role stakeholders may have in validating disclosures.</p>	



Part 4: Supporting information

Frequently asked questions

Q: Who needs to be involved internally in purpose disclosures?

A: Regardless of which group leads the reporting process, purpose reporters find it helpful to form a multi-functional team to guide the effort. Include people with skills in strategy, operations, human resources, finance, sustainability and communications, for example. As the purpose is the company's North Star, the team should report to the company's senior leadership.

Q: How can we make purpose reporting efficient when we already do a lot of reporting?

A: Look for opportunities to weave purpose into the company's existing reporting practices. For example, the Appendix shows some ways to work purpose disclosures into IFRS S1 reporting and the Integrated Reporting Framework.

Q: Where should we publish our purpose disclosures?

A: Ideally, purpose disclosures would be accessible in one place where the company's financial performance is disclosed, such as an annual report. However, if purpose disclosures are in the company's sustainability report, or on the website, reporters should provide an index showing where this information can be found.

Q: How can we help our company step into purpose disclosure?

A: The colour-coded guidance in Part 3 provides a progression for companies. Create a plan with milestones and resources and consider disclosing to your internal stakeholders first for a year or two, to build your confidence, before reporting externally.

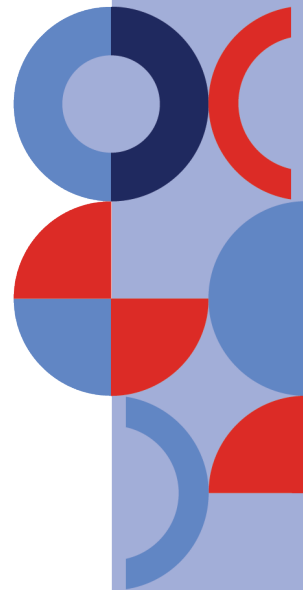
Q: What do we do if our company's existing strategy goes in a different direction from our newly adopted purpose?

A: When a company first discloses its purpose it may have pre-existing strategy, goals and targets that are not fully aligned. It's not necessary to tear them up and start fresh. You can disclose where you have alignment now, and where you may need to revisit your strategy or targets the next time that they are due to be refreshed.

Q: How do we avoid purpose-washing when we can't yet measure our impact precisely?

A: Even experienced purpose reporters may have difficulty determining how much of a societal benefit they can attribute to their specific contribution. In this situation, purpose reporters are advised to follow well-established principles of good disclosure – transparency and conservatism. Set out your assumptions and err on the side of understating the benefit you claim. The field of impact measurement continues to develop, and practitioners are working toward a “Common Approach.”⁴⁴

⁴⁴ <https://www.commonapproach.org/>



Additional sources and acknowledgements

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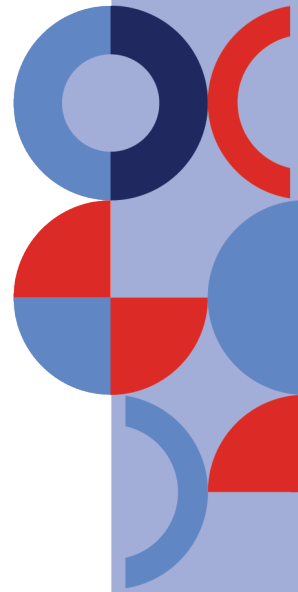
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Gord Beal, Senior Vice-President, Outreach, CPA Alberta, FCPA, FCA

Jamie Bonham, Head of Stewardship, and Hasina Razafimahefa, Senior Manager, Research & Evaluations, NEI Investments

Jackie Cook, Director, Stewardship Product Strategy, Morningstar Sustainalytics

Lisa French, Vice President, Sustainability Standards, Financial Reporting and Assurance Standards Canada

Robert G. Eccles, Visiting Professor of Management Practice, Said Business School, University of Oxford

Suzanne Hathaway, SVP, General Counsel, Communications and Corporate Secretary, Maple Leaf Foods

Liz McBeth, President, Armour Valve

Jamal Nazari, PhD, CPA, CMA, CGA, Professor of Accounting, Beedie School of Business at Simon Fraser University

Alan Willis, President, Alan Willis and Associates, FCPA, FCA

Maureen Young, VP Social Purpose, Amanda Welschlau, Senior Manager, Social Purpose Mobilization and Transparency, and Nick Biln, VP Financial Reporting, Coast Capital

Two assurance partners at a Big 4 accounting firm who contributed anonymously.

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Tom Ewart, AVP Sustainability, Co-operators

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Jim Gudjonson, Manager, Sustainability Innovation, BCLC

Chad Park, VP, Sustainability and Citizenship, Co-operators

Shawna Peddle, AVP, Citizenship, Co-operators

Geoff Pegg, Head of Sustainability and Environment, TELUS

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coastcapital



WORKSDESIGN

Appendix: Guide to including purpose when using other frameworks

A common theme in interviews for this report was that preparers are feeling overwhelmed by reporting obligations, especially the move to mandatory sustainability reporting requirements. We were cautioned that purpose disclosures should not be positioned as “one more thing” for overstretched reporting teams to deal with. For that reason, we have sought to build on existing frameworks and show how elements from them can be used for purpose disclosures, where the business purpose relates to a broad sustainability approach, such as Unilever’s purpose: “we exist to make sustainable living commonplace.”

While there are many possible reporting frameworks for social purpose businesses, we identified the Integrated Reporting Framework and the International Sustainability Standards Board (ISSB) standards as the most relevant.

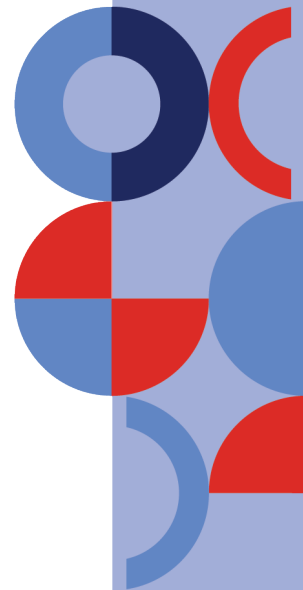
The Integrated Reporting Framework is intended for concise, connected and high-level reporting on how an organization creates and maintains value over time. It is designed to encourage integrated thinking. Its longer-term orientation, recognition of organizational dependence on natural, social and other forms of capital, and inclusion of stakeholder and societal value make it relevant to purpose reporting. It is also one of the few reporting frameworks that explicitly calls upon reporters to identity their purpose. The Integrated Reporting Framework falls under the responsibility of the IFRS Foundation,⁴⁵ the organization that develops internationally used standards for accounting and more recently sustainability disclosure, and is being considered for what it could bring to management commentary (management discussion and analysis in Canada).

The ISSB’s general standard for sustainability reporting, IFRS S1, may be less relevant for businesses with a specific purpose that lies outside common understanding of sustainability. We include it because ISSB aims to build a common global baseline for disclosures and many countries support it, including Canada through the CSSB standards. Financial and sustainability reporting teams are currently focused on meeting timelines for compliance with the ISSB standards. Purpose disclosures are likely to gain more buy-in if they support rather than distract from ISSB reporting.

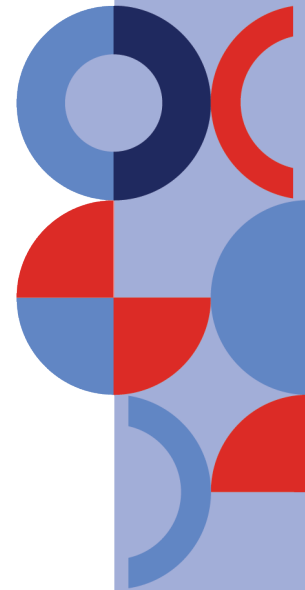
Guidance for users of the Integrated Reporting Framework (2021)

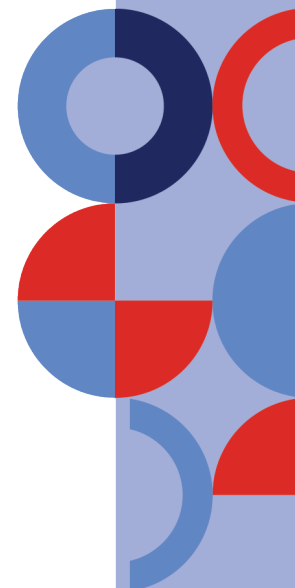
Disclosure Elements	Integrated Reporting Framework	Integrated Reporting Framework Relevant Content	How to Include Purpose
Purpose Meaning and Development	4A	4.5 “An integrated report identifies the organization’s purpose, mission and vision, and provides essential context...” Context includes “significant factors affecting the external environment and the organization’s response.” 4.7 External environment includes “the legitimate needs and interests of key stakeholders” and “societal issues...” and “environmental challenges...”	Narrative identifying the social or environmental (societal) issues that inform the purpose, and how the organization is uniquely able to respond to them.

⁴⁵ IFRS Foundation <https://www.ifrs.org/about-us/who-we-are/>



Business Model and Prospects	4C	4.11 “An organization’s business model is its system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfil the organization’s strategic purposes and create value over the short, medium and long term.”	Explain how the organization’s business model enables it to deliver on its purpose and generate improvement in societal value.
Strategy	4E, G	<p>4.28 “Where does the organization want to go and how does it intend to get there?”</p> <p>4.29 Identify strategies and resource allocation to achieve strategic objectives, with measures to show achievement.</p> <p>4.35 Describe challenges and uncertainties the organization will encounter in pursuing its strategy.</p>	<p>Describe the organization’s purpose in enough detail to clearly show where it wants to go and its strategy to get there. Emphasize long-term strategic objectives.</p> <p>Include strategies to orient the organization in the direction of its purpose (including any necessary shifts in the elements above). Identify the steps in the process with measurable milestones for achievement.</p> <p>Describe challenges and uncertainties the organization will encounter in pursuing its purpose and its plans to overcome them.</p>
Culture and Human Resources	4A	<p>4.5 Essential context includes the organization’s “culture, ethics and values.”</p> <p>4.9 “How the organization’s culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders.”</p>	<p>How the organization’s culture, ethics and values informed the development of its purpose.</p> <p>How the purpose has contributed to the organization’s culture.</p> <p>How the purpose is realized through the organization’s culture.</p>
Governance and Accountability	4B	4.8 “How does the organization’s governance structure support its ability to create value in the short, medium and long term?”	How the organization’s governance supports its ability to create societal value, as defined by its purpose.
Risks and Opportunities	4D, G	<p>4.24 “What are the specific risks and opportunities that affect the organization’s ability to create value over the short, medium and long term, and how is the organization dealing with them?”</p> <p>4.35 “What challenges and uncertainties is the organization likely to encounter in pursuing its strategy and what are the potential implications for its business model and performance?”</p>	<p>In 4.35, modify strategy to also address purpose. Describe the organization’s opportunity to create societal value through achieving its purpose.</p> <p>Describe the risks to the organization that could arise from pursuing the organization’s purpose.</p>





Describe the risks that could affect the organization's ability to realize its purpose.

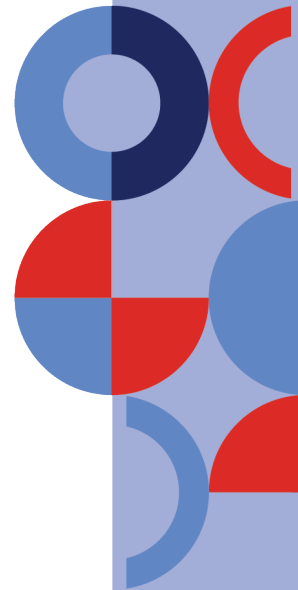
Identify the key steps to mitigate these risks.

Measurement	4F, G	<p>4.19 Describe outcomes that arise from the business model.</p> <p>4.31 "To what extent has the organization achieved its strategic objectives for the period and what are its outcomes..."</p> <p>4.32 Include qualitative and quantitative information about performance.</p>	<p>Describe outcomes related to the purpose as changes in value for society.</p> <p>In 4.31, modify strategic objectives to also address purpose.</p>
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Guidance for users of IFRS S1 (CSSB S1)

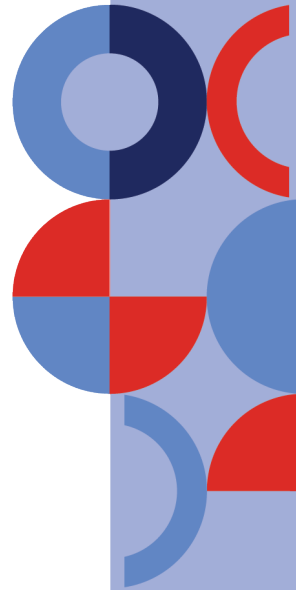
Disclosure Elements	IFRS S1	S1 Relevant Content	How to Include Purpose
Purpose Meaning and Development	Connected information 21	Develop connections between sustainability-related risks and opportunities and the entity's prospects, and within/across its disclosures.	<p>Draw connections among the disclosure elements as they relate to the purpose.</p> <p>Enable users to locate purpose-related information across the entity's disclosures.</p>
Business Model and Prospects	Business model and value chain 32	Enable users to understand the current and anticipated effects of sustainability-related risks and opportunities on the entity's business model and value chain.	<p>Explain where in the value chain the entity can leverage opportunities related to its purpose.</p> <p>Explain how the pursuit of the company's purpose affects the organization's prospects, and how the entity's commercial success is key to realizing its purpose.</p>

Strategy	Strategy 28 Resilience 41	<p>Enable users to “understand an entity’s strategy for managing sustainability-related risks and opportunities.”</p> <p>Include information on time frame for risks and opportunities, where they could occur in the value chain, and how the entity is addressing them in its strategy and decision-making.</p> <p>Enable users to understand its capacity to adjust to uncertainties arising from sustainability-related risks and opportunities.</p>	<p>Enable users to understand the entity’s strategy for managing purpose risks and opportunities.</p> <p>Include information on time frame for purpose risks and opportunities, where they could occur in the value chain, and how the entity is addressing them in its strategy and decision-making.</p> <p>Enable users to understand the entity’s capacity to adjust to uncertainties arising from purpose risks and opportunities over the short, medium and long term. This could include scenario analysis.</p>
Culture and Human Resources	S1 is silent on culture		<p>How the organization’s culture, ethics and values informed the development of its purpose.</p> <p>How the purpose has contributed to the organization’s culture.</p> <p>How the purpose is realized through the organization’s culture.</p>
Governance and Accountability	Governance 26	<p>Enable users to “understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee sustainability-related risks and opportunities.”</p>	<p>Enable users to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee purpose risks and opportunities.</p>
Risks and Opportunities	Risk management 43	<p>Enable users to understand the entity’s processes for managing sustainability-related risks and opportunities and their integration into the overall risk management process.</p>	<p>Explain how specific sustainability risks and opportunities are connected to the entity’s purpose.</p> <p>Enable users to understand the entity’s processes for managing purpose risks and opportunities and their integration into the overall risk management process.</p>



Measurement	Financial 35 (d) Metrics and targets 45	<p>Enable users to understand how the entity expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage sustainability-related risks and opportunities.</p> <p>Enable users to understand an entity's performance in relation to sustainability-related risks and opportunities, including progress toward targets.</p>	<p>Enable users to understand how the entity expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage purpose risks and opportunities.</p> <p>Enable users to understand an entity's performance in relation to purpose risks and opportunities, including progress toward targets.</p>
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Note that ISSB uses a financial definition of materiality and IFRS S1 is intended for users of general-purpose financial disclosures (primarily investors). ISSB is concerned that its disclosures are not obscured by other information that does not meet its definition of materiality. Users of the above table should therefore take care to separately identify purpose-related information or show why purpose-related information meets the materiality requirements of IFRS S1.



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. This paper is one in a series of reports exploring the roles of key actors to advance social purpose in business including accountants, boards, investors, associations, business schools and others.

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