

Unlocking the Potential of Corporate Purpose: A Guide for Asset Managers

Introduction

Purpose investing aligns investment strategies with companies that have a clear corporate purpose. This approach is crucial for addressing societal challenges and creating long-term value for shareholders and stakeholders. The Canadian Purpose Economy Project (CPEP) is at the forefront of driving Canada's shift toward a purpose economy—an economy where businesses have a societal purpose as their reason for being and are implementing it authentically, collaboratively and impactfully. Investors, particularly asset managers, are critical players in this transformation.

Why Purpose Matters to Asset Managers

Global standards, such as those from the [International Corporate Governance Network](#) and the [International Standards Organization](#), now recognize purpose as a cornerstone of effective corporate governance. This is setting the benchmark for how companies should be governed and operated, and how investors might assess their investments. As a result, asset managers are increasingly expected to prioritize purpose in their investment strategies, recognizing that companies with a defined societal purpose are more likely to achieve sustainable success¹.

Purpose investing considers the purpose of investee companies and whether it is integrated into their core business strategy. It focuses on driving long-term systems change, fostering innovation, and building resilience while seeking financial returns. In contrast, impact investing centres on direct impact outcomes, often prioritizing specific social or environmental goals, which may come with a lower financial return expectation in exchange for greater societal benefits. Purpose investing addresses the “why” behind a company’s existence, while impact investing focuses on the social and environmental benefits generated. Purpose directs strategy and impact is the result of strategy. Companies with a clearly defined purpose are more likely to generate greater, more enduring impact compared to those without a clear sense of purpose.

The role of asset managers extends beyond maximizing short-term returns. In today's evolving business landscape, managing assets requires ensuring that the companies in your portfolio are well-positioned for resilience, differentiation, and long-term viability. Companies with a defined and operationalized purpose that benefits society are better equipped to:

- Navigate complex societal and environmental challenges
- Engage employees and stakeholders meaningfully
- Unlock innovation and competitive advantage
- Deliver sustained financial performance
- Increase employee engagement and productivity
- Enhance customer loyalty and brand reputation
- Improve risk management and resilience
- Foster greater innovation and adaptability
- Contribute to a more sustainable economy

What is Purpose Investing?

Purpose investing involves considering a company's purpose when making investment decisions. It aligns investments with companies that have a clear societal purpose, creating long-term value for shareholders and society. By integrating purpose into investment strategies, asset managers can contribute to systemic change while improving financial performance, innovation and resilience.

Investing in companies with a clearly articulated and executed social purpose can also help reduce their systemic risks by financing companies that actively seek to address a societal need or challenge. This creates an opportunity to both outperform the market and contribute to systems change.

¹ [Social Purpose Business Case Statistics](#), Canadian Purpose Economy Project

Emerging research underscores the correlation between purpose-led companies and long-term outperformance. Neglecting purpose can create a blind spot for investors, exposing portfolios to risks related to underperformance, reputational harm, and weaker stakeholder relationships. Purpose-blind investment strategies risk missing critical opportunities for identifying companies with potential for innovation, adaptation to evolving societal expectations, and long-term value creation. Investors who ignore corporate purpose may also miss important signals about a company's governance quality, strategic direction, and ability to attract and retain top talent in an increasingly purpose-driven job market. Failing to understand and consider the purpose of investee companies may represent a gap in fiduciary duty, as it overlooks a key factor in assessing a company's long-term viability, resilience, and potential for sustainable returns. Additionally, by not intentionally financing companies whose purpose is to address societal challenges, investors expose their portfolios to rising systemic risks which can significantly impact portfolio performance. Financing companies with a clearly defined purpose to create a better world can, however, reduce systemic risks for investors. These companies are inherently focused on solving social and environmental challenges, which not only contributes to long-term sustainability but also mitigates systemic risks by addressing the root causes of these challenges. By supporting such companies, investors can align their investments with broader societal goals, enhancing the resilience and stability of their portfolios over time.

Closing the Purpose Investment Gap

Despite growing evidence of the importance of purpose in driving long-term value and the potential for social purpose companies to address systemic risks, many asset managers have yet to integrate corporate purpose into their investment strategies. This oversight presents a significant opportunity for asset managers to enhance their investment approach, create value, and gain a competitive advantage. By incorporating purpose into stewardship and decision-making processes, asset managers can improve portfolio outcomes, better align with the values of asset owners, and contribute to positive societal impact.

To effectively close this gap, asset managers should consider the following actions:

- 1. Develop a Purpose Assessment Framework:** Establish a framework to evaluate the presence, authenticity and implementation of purpose within companies. This could include setting out criteria such as:
 - a) Purpose articulation: ensuring the company has a clear, explicit well-defined purpose that goes beyond product delivery and profit maximization and addresses social and / or environmental needs.
 - b) Integration into strategy: Assessing how purpose is embedded into the company's core business strategy and decision-making processes.
 - c) Governance and oversight: Evaluating whether the company's board and leadership are actively overseeing the implementation of purpose, ensuring it is a long-term ambition rather than a marketing strategy.
 - d) Impact measurement: Analyzing how well the company measures and reports on the societal impact it seeks to create through its purpose.
- 2. Integrate Purpose Criteria into Investment Processes:** This includes:
 - a) Conducting due diligence on how purpose is embedded in governance, strategy, culture, and incentives. (See [Purpose Due Diligence for Investors](#))
 - b) Assessing corporate governance structures to ensure the board oversees and governs purpose implementation.
 - c) Evaluating transparency and reporting practices related to a company's purpose and outcomes.
 - d) Analyzing how a company's purpose contributes to long-term value creation, innovation, and resilience.
 - e) Ensuring alignment between purpose and financial performance, by looking for evidence that purpose-led practices enhance returns.
 - f) Examining how a company's purpose influences its approach to risk management and stakeholder relationships.

The image below provides an overview of the business architecture of a company and shows how purpose directs the strategy, informs culture, and drives impact.

Purpose
Aligns
Vision,
Culture,
Strategy



CANADIAN
PURPOSE
ECONOMY
PROJECT

WHY?

WHERE?

WHAT/HOW?

3. **Evaluate Purpose Statements:** Analyze the purpose statements of portfolio companies to ensure they clearly articulate "why the company exists," distinct from mission or ESG initiatives. (See Appendix A: Purpose Evaluation Grid)
4. **Engage Actively with Boards:** Encourage boards to approve and formally oversee purpose as a governance responsibility, ensuring it is embedded in strategy, culture, and incentives. (See [Purpose Governance Guidelines for Boards](#))
5. **Promote Transparency:** Encourage comprehensive disclosure of purpose performance to foster accountability and continuous improvement. (See [Purpose Disclosure Guidelines](#))
6. **Collaborate With Other Investors:** Work together to promote best practices in purpose investing.
7. **Provide Regular Reporting:** Share updates on purpose-related metrics to asset owners

Evaluating Corporate Purpose

To assist investors in understanding and assessing the various types of purpose statements adopted by companies, CPEP developed a Purpose Evaluation Grid. This grid helps differentiate between genuine social purpose and other forms of purpose statements, such as those focused solely on customers, products, branding, or shareholders. The Purpose Evaluation Grid categorizes purpose statements into four main types:

1. Social Purpose
2. Customer/Product Purpose
3. Social Purpose as Brand
4. Shareholder Purpose

For a detailed breakdown of the Purpose Evaluation Grid, including examples and analysis, please refer to Appendix A.

CPEP's Purpose Investing Vision for 2030

By 2030, CPEP envisions Canadian investors, including asset managers, playing a pivotal role in mainstreaming corporate purpose. Through informed engagement and proactive stewardship, Canada will set a global standard for integrating purpose into investment practices, advancing both economic and societal outcomes. To learn more about integrating purpose into your investment strategy, reach out to CPEP for guidance and tools.

The Way Forward

As a steward of capital, your influence can help close the purpose investment gap and unlock long-term value for your clients and society at large. Purpose investing is not only a response to growing stakeholder expectations but

a pathway to enduring financial success. Taking purposeful steps today can help shape a more purpose-driven investment ecosystem that delivers sustainable value for all.

Appendix A: Purpose Evaluation Grid

Social Purpose	Customer / Product Purpose	Social Purpose as Brand	Shareholder Purpose
<p>Maple Leaf Foods: Raise the Good in Food</p> <p>Maple Leaf Foods is a forward-thinking, values-based carbon neutral company with a purpose to “Raise the Good in Food.”</p> <p>“Raise” is an aspirational statement. It means to move forward and constantly improve. “The Good in Food” represents everything that is good about our business from what our food can deliver to society to what’s in the food and what that means to the people that consume it. Our purpose is why we exist as an organization.</p>	<p>Dollarama</p> <p>Our purpose is “to provide Canadians from all walks of life with the best quality and value, as well as proximity and convenient access to affordable, everyday items”.</p>	<p>First Service</p> <p>“Our Social Purpose”</p> <p>Caring for our internal teams, those within the communities where we live, work and play, and our environment, has always been a part of the collective DNA throughout our family of companies. In 2018 we gave it a name – Social Purpose – and launched the #FirstServeOthers hashtag as a way to share our stories and inspire others to engage in Social Purpose activities.</p>	<p>Tourmaline</p> <p>Tourmaline is an investment grade Canadian senior crude oil and natural gas exploration and production company focused on providing strong and predictable long-term growth and a steady return to shareholders [...].</p> <p>Tourmaline's long-term business strategy is to increase shareholder value by providing both strong and predictable long-term growth and a steady return to shareholders through an aggressive exploration, development, production and acquisition program in the WCSB [...]. <i>Emphasis added.</i></p>
<p>Included in their Integrated Report. Explicitly referred to as their purpose. Speaks to the definition of their purpose as moving forward, improving, delivering value to society.</p>	<p>Found on their sustainability page under the heading “Serving Canadians with purpose”. Speaks to being guided by their purpose. The beneficiaries of the purpose are explicitly customers, there is no reference to benefit broader society.</p>	<p>Found on the navigation bar of the company's website. Refers to social purpose explicitly. However, the description and history of the term is a brand for their social and environmental activities (“we gave it a name”).</p>	<p>No explicit use of the term purpose. Speaks to their focus on shareholder value and a business strategy to increase shareholder value. Shareholder purpose is implied.</p>
Sample Investor Engagement Questions			
<p>https://www.mapleleaffoods.com/wp-content/uploads/sites/6/2023/06/MLF-2022-Integrated-Report_Final.pdf p. 18</p>	<p>https://www.dollarama.com/en-CA/corp/sustainability</p>	<p>https://purpose.firstservice.com/about-our-social-purpose/</p>	<p>https://tourmaline.cdn.prismic.io/tourmaline/76ada334-9e7b-4477-87ec-83b1afa41040_Annual+Information+Form+Q4+2022.pdf</p> <p>p. 2 and 3.</p>

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. We are grateful to Coast Capital, our Founding Purpose Champion, for their support. Subscribe to our updates at <http://www.purposeeconomy.ca> and sign our [Call to Purpose](#) to help us advance social purpose in business.