

The State of Purpose Governance Among the TSX 60

CANADIAN
PURPOSE
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PROJECT

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Foreword by Edward Waitzer

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Few would argue with the assumption that our market system works best when corporate conduct has regard for the interests of various stakeholders. Profit maximization cannot diverge from reasonable public expectations and overall social welfare indefinitely. Concepts of fairness (which are undermined by excessive profit-taking and corporate misbehaviour) affect the way political and judicial systems interact with corporations. The stakes are high in a world in which geopolitical instability has become a danger to democracy and market capitalism. Authoritarianism (of the extreme left or right) is not a political environment in which most corporations (or voters) want to live.

Historically, agency theory (focusing corporate law on guarding against managerial opportunism) and shareholder primacy (focusing corporate governance on profit maximization for shareholders) were the primary constraints on the exercise of managerial power – intended to root the corporation in the private realm. That has only proven successful over time when constraints on corporate managers are seen to produce socially desirable outcomes.

Most legal scholars and our courts now take such a holistic view of the relationship between government, corporations and individuals. For example, the British Academy's Future of the Corporation project conceives of an important public role for the corporation, along with a concern about negative externalities, arguing that “the purpose of business is creating profitable solutions for problems of people and the planet, and not profiting from creating problems”. Accordingly, the 2018 UK Corporate Governance Code includes references to corporate culture and responsibility of public companies to contribute to ‘wider society’.

Henderson and Ramanna have argued that the traditional view that corporate managers have a duty (within the bounds of the law) to maximize profit may be compelling if there is an active or “thick” political “market, in which diverse interests are meaningfully represented, and legislators and regulators have access to the information (and mandates) necessary to promulgate rules that serve this public interest. Such a political “market” should check the consequences of self-interested profit-seeking that would otherwise distort the conditions for capitalism. They argue that “thin” political “markets – which are dominated by special interest groups or in which legislators’ and regulators’ ability to promulgate or anticipate the need for new rules is impeded by a lack of information or political will – create a need for duties to be framed so as to require corporations and their managers to play a more active role in maintaining the conditions that sustain capitalism.

The scale of societal and environmental challenges we face has eclipsed the capacity of governments (and frameworks for governmental cooperation) to address them. Such an era of “thin” political “markets” inevitably creates obligations (and opportunities) for market participants to step in. In default, we will continue to see the judicialization of corporate governance, illustrated in the evolution of “duty to monitor” cases in Delaware and in the BCE decision of our Supreme Court.

In BCE, the Supreme Court of Canada held that reasonable expectations formed the basis for a “duty of fair treatment” in corporate law, which requires boards to consider the effects their decisions have on corporate stakeholders, and to avoid actions that “unfairly maximize a particular group’s interest

at the expense of other stakeholders.” The interests that must be considered in this context include economic and possibly social. By definition, “reasonable” expectations mean more than the current law. As the Court noted, they “look...beyond legality to what is fair, given all of the interests at play” to avoid conduct that is “wrongful, even if it is not actually unlawful”.

The findings of the report are grounds for optimism. It identifies a significant number of leading Canadian corporations that have been proactive in addressing the tensions inherent in shareholder primacy and acknowledging (as did the Supreme Court) the futility of doing so. Their relatively nascent focus on “purpose” is likely to prove a constructive pathway to a more nuanced and effective vision of corporate governance.

This is important work. The Canadian Purpose Economy Project should be applauded for encouraging and documenting it.

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Introduction

A growing number of Canada's leading companies are declaring a social purpose—an enduring reason the business exists to create a better world. But bold statements alone are not enough. For purpose to shape strategy, culture, and performance, it must be actively stewarded at the highest level: the board of directors. This excerpt from the [TSX 60 Social Purpose Report Card: The Social Purpose of Canada's Top Companies](#) examines how Canada's top companies are embedding purpose into their governance practices. As pressure mounts for companies to demonstrate authentic purpose, this review reveals which boards are stepping up—and which are falling short, at least as far as their public disclosures are concerned.

Methodology

This report analyzes how social purpose is reflected in the governance practices of Canada's top public companies. It is based on a subset of findings from [TSX 60 Social Purpose Report Card: The Social Purpose of Canada's Top Companies](#), a broader review of the TSX 60 Index, conducted by the Canadian Purpose Economy Project (CPEP) from August to December 2024. Of the 60 companies reviewed, 24 were found to have a declared social purpose statement.

Each company's public disclosures—annual reports, ESG reports, and websites—were reviewed to determine whether they have a stated social purpose, using CPEP's definition:

A social purpose business is one whose reason for being is to create a better world. Its purpose is to profitably solve the problems of people and planet and not profit from causing them. It is the company's optimal strategic contribution to long-term well-being for all.

Statements were assessed against this definition, with an emphasis on societal ambition.

For those companies with a stated social purpose, we examined whether and how their boards oversee the company's purpose by reviewing their publicly disclosed board terms of reference, available as of August–December 2024. One additional company, which was not ranked as having a social purpose statement but did disclose a formal board role in purpose oversight, was also included in this review. All companies were evaluated using CPEP's [Purpose Governance Guidelines](#) to assess the degree to which board responsibilities explicitly mention the board's role in oversight of the company's reason for being.

This methodology reflects publicly available information only and does not evaluate internal practices or the effectiveness of governance or implementation. It provides a snapshot of how far Canadian corporate boards have gone in embedding purpose into their formal oversight role.

Key Findings: Purpose Governance

Among the 24 TSX 60 companies that have a declared “social purpose”, eight (33%) assign the board of directors an oversight role. All the banks with a declared social purpose include board oversight in their governance mandate. Similarly, Canadian Tire, Metro Inc., Pembina Pipeline, TELUS and WSP specify a purpose governance role for the board of directors. This represents a promising trend toward recognizing purpose oversight as a governance responsibility.

The following chart outlines the TSX 60 companies that explicitly define a purpose oversight role for the board of directors, as reflected in their publicly disclosed board terms of reference. The *Purpose Reference* column cites the relevant excerpt, while the *Assessment* column summarizes the company’s approach to purpose governance and highlights any gaps or limitations.

Please note: this analysis is based solely on board terms of reference publicly available on company websites as of August–December 2024. Additional board practices or responsibilities related to social purpose may exist but were not captured if not disclosed in these documents.

The Bank of Nova Scotia (Scotiabank) is included despite its purpose statement not qualifying as a social purpose, as its board terms of reference explicitly assign a board purpose oversight role.

Approaches to Board Purpose Oversight

Company	Purpose	Purpose Governance Reference	Assessment
<u>Bank of Montreal</u>	Boldly Grow the Good in business and life.	Board of Directors provides stewardship, sets general direction and alignment with Purpose, and oversees management. BMO’s Code of Conduct is grounded in our Purpose.	The board sets purpose <i>alignment</i> . The board’s role in setting purpose alignment suggests a state of agreement rather than actively advancing the purpose.
<u>Bank of Nova Scotia</u>	For every future.	Oversee the Bank’s Purpose The Bank’s purpose guides all that it does and considers its many stakeholders, including employees, clients, communities and shareholders. The Board oversees the Bank’s purpose and reviews and reports on how the Bank executes, and acts in accordance with, its purpose. The Corporate Governance Committee supports the Board in its oversight of the Bank’s purpose and the implementation of the Bank’s purpose within the Bank’s strategies and priorities.	The bank’s corporate governance policies state that the board is responsible for overseeing the bank’s purpose. This is outlined on page 12 and is the first of the “oversee” responsibilities listed in the corporate governance policies document. It is followed by oversight of strategy, risk, liquidity and funding, capital management, technology, finance and audit, among other responsibilities.

Board Oversight of Social Purpose

Company	Purpose	Purpose Reference	Assessment
Bank of Nova Scotia <i>continued</i>	For every future.	Corporate Governance Committee Terms of Reference: Mandate 2. To act in an advisory capacity to the Board of Directors (the “Board”) to enhance the Bank’s corporate governance through a continuing assessment of the Bank’s approach to corporate governance and making policy recommendations in support of the Bank’s purpose, culture and strategy, including its environmental, social and governance (ESG) strategy. Duties Purpose and Environmental, Social and Governance (ESG) Matters 34. Support the Board in its oversight of the Bank’s purpose and review the Bank’s disclosure on, execution of, and alignment with, its purpose.	That oversight of purpose is the first of the listed oversight roles suggests a clear understanding of the importance of board governance over purpose. The board has delegated to its Corporate Governance Committee the responsibility to make policy recommendations in support of the bank’s purpose, and to review the bank’s disclosure on, execution of, and alignment with, its purpose.
Canadian Imperial Bank of Commerce	Our purpose is to help make your ambition a reality.	Strategic planning – The Board reviews and approves CIBC’s strategic, financial and capital plans, and monitors their effectiveness. In carrying out these responsibilities, the Board considers CIBC’s purpose, Environmental, Social and Governance (ESG) strategy, risk appetite, risk profile, capital and liquidity levels, emerging trends and the competitive environment.	The board <i>considers</i> purpose in the company’s strategy. Purpose is more than a factor among many; it should be the central driver of an organization’s strategy. When a board limits its engagement with purpose to “considering it,” it risks treating purpose as a secondary concern.

Company	Purpose	Purpose Reference	Assessment
<u>Metro Inc.</u>	Nourish the health and well-being of our communities.	Board assumes the responsibility for the following matters, either directly or through one of its committees: Corporate Responsibility 4.4.1 the oversight of the Company's activities with respect to the Company's corporate purpose and corporate responsibility, which includes environmental, social and governance matters (ESG), and the approval of the Company's Corporate Responsibility Plan and related disclosure.	Corporate purpose is referenced under the board's <i>corporate responsibility</i> duties, positioned last after strategy planning and risk oversight, human resources and audit matters. Corporate purpose is the company's fundamental reason to exist, not a corporate responsibility function.
<u>Canadian Tire Corp.</u>	We Are Here to Make Life in Canada Better.	Corporate Governance Overview: We believe in strong corporate governance standards, as reflected in our policies and practices, and look to the Company's Brand Purpose and Core Values, regulatory requirements and best practices to shape our policies and practices, in order to ensure that they are comprehensive, relevant, effective and transparent. Our Brand Purpose, <i>We Are Here to Make Life in Canada Better</i>, guides all decisions the Company makes, including with respect to its approach to corporate governance. CTC's Brand Purpose, <i>We Are Here to Make Life in Canada Better</i>, guides all actions related to the Company's business strategy, including CTC's position and strategies in relation to ESG topics most relevant to CTC and its stakeholders. CTC has integrated ESG directly into its enterprise strategy as it is critical to fulfilling the Company's Brand Purpose and improving environmental and social outcomes for Canadians.	The board <i>looks</i> to the purpose to shape policies and practices. The purpose <i>guides</i> the company's governance and actions related to the company's strategy. The board appears to equate purpose with ESG but acknowledges that the enterprise strategy should <i>fulfill</i> the company's purpose. Purpose responsibility has been assigned to one of the board committees. While purpose is used as a guardrail for decisions and actions and there is reference to the strategy fulfilling the purpose, the board mandate lacks specificity around the board's active role in purpose oversight. Use of the term "brand purpose" may not refer to the company's fundamental reason for existence, but the role the brand plays in the marketplace, and thus would be a marketing strategy.

Company	Purpose	Purpose Reference	Assessment
<u>Pembina Pipeline Corp.</u>	We deliver extraordinary energy solutions so the world can thrive.	The Board carries out its responsibilities with a view to the purpose of Pembina. Its role is to support Pembina's commitment to achieving its strategy, including its four strategic priorities.	This is referenced under the general statement in the Board Charter. This is the only reference to the company's purpose.
<u>Royal Bank of Canada</u>	Helping clients thrive and communities prosper.	The company's Corporate Governance Framework includes purpose: It is mentioned in the company's "approach to governance": We believe that good governance [...] involves [...] setting robust standards and principles that will guide RBC in delivering on its Purpose of helping clients thrive and communities prosper while enhancing value for our shareholders. The ESG section of The Corporate Governance Framework references the Purpose Framework which aims to create clarity and structure around three societal ambitions where RBC can have a meaningful impact. All director nominees are required to have experience in ESG matters "to best support the bank in achieving its Purpose" including through their professional experience or their educational background.	The company's Corporate Governance Framework defines good governance as <i>setting standards and principles to guide it</i> in fulfilling its purpose. To support the company in achieving its purpose, all director nominees are required to have ESG experience. The Purpose Framework is housed within the company's ESG program. The governance framework acknowledges the role for principles to guide purpose delivery and the importance of directors having skills and experience to support purpose achievement. There is no reference to the board having oversight of purpose execution. It seems that the primary vehicle for advancing purpose is through the company's ESG strategy, which could limit the broader integration of purpose across the company.

Company	Purpose	Purpose Reference	Assessment
<u>TELUS Corp.</u>	Our social purpose is to leverage our global-leading technology and compassion to drive social change and enable	Terms of Reference for the Board of Directors: Strategy Determination and Social Purpose The Board will: a) approve the Company's social purpose; b) annually consider and approve the Company's objectives and goals, its strategic plan to achieve those objectives and goals and the accomplishment of its social purpose and approve any material changes thereto.	The company's Board Terms of Reference specify that the board is responsible for approving the company's social purpose, and, on an annual basis, considering and approving its goals to achieve the accomplishment of its social purpose. This responsibility is listed ahead of others such as approving material transactions, approving financial reporting, addressing risk oversight and management, and other responsibilities. The fact that purpose oversight tops this list reflects an understanding of its significance within the board's responsibilities.
<u>Toronto Dominion Bank</u>	Enrich the lives of our customers, communities and colleagues.	Specific Duties and Responsibilities: Strategic Planning: Approving the strategy and business objectives of the Bank and overseeing their execution. This oversight includes reviewing and approving all major strategy and policy recommendations including the Bank's annual strategic plan and annual financial plan which include the capital, liquidity and funding plans, as well as specific requests for major capital expenditures and the monitoring of adequate levels of capital and liquidity. The Board assesses the Bank's major opportunities and the risk impact of such strategic decisions being contemplated, including considering whether they are aligned with the Bank's purpose and within the Board-approved Risk Appetite Statement established for the Bank and its individual business and corporate segments.	Purpose is included within the board's strategic planning responsibility where the board is tasked with assessing whether <i>strategic decisions align</i> with the company's purpose. By focusing primarily on alignment with purpose rather than proactively integrating it into every aspect of strategic planning and decision-making, the board risks treating purpose as a secondary consideration rather than as a core driver. This narrow approach may not fully leverage purpose as an overarching framework for the bank's long-term strategy, governance, and risk management. Instead, purpose should be at the heart of the strategic planning process, influencing decisions on capital allocation, risk management and overall business objectives.

Company	Purpose	Purpose Reference	Assessment
<u>Toronto Dominion Bank</u> <i>continued</i>	Enrich the lives of our customers, communities and colleagues.	The Board also oversees the strategic planning process, implementation of strategic plans, and monitoring of performance against such plans.	
<u>WSP Global Inc.</u>	We exist to shape communities to advance humanity.	The board shall assume the following duties and responsibilities: 1) PURPOSE AND STRATEGY 1. Articulate a shared understanding with management of the Corporation's purpose that, among other things, addresses corporate value generation for society; 2. Ensure that a strategic planning process is in place and approve, at least on an annual basis, a strategic plan which supports the Corporation's purpose and takes into account, among other things, the longer term opportunities and risks of the business. 3) HUMAN CAPITAL MANAGEMENT AND COMPENSATION 18. Encourage a culture that equitably and sustainably supports the Corporation's purpose.	The board's responsibilities include articulating a shared understanding of the company's purpose, which encompasses generating value for society. The board is also responsible for approving an annual strategic plan that supports the company's purpose and for encouraging a culture that supports the company's purpose. Purpose and strategy occupy a prominent position in the Board's Charter, being the first section among six. Of the 42 responsibilities listed, purpose is highlighted in the first two, emphasizing the board's role in ensuring that the strategy supports achievement of the purpose. Additionally, the board's responsibility for human capital management includes fostering a culture that supports the company's purpose, reinforcing the centrality of purpose in both strategy and organizational culture.

This review reveals a range of purpose governance approaches, reflecting varying degrees of commitment and integration into board mandates and the nascent nature of purpose governance. While some companies demonstrate promising practices, others show room for growth in fully embedding purpose into their governance frameworks.

In several cases, purpose is treated as a guiding principle or alignment tool for strategy and decisions. However, it is often seen as one of many factors, rather than the central driver of strategy and decision-making. Boards that limit their engagement with purpose to a consideration or alignment role risk reducing purpose to a secondary concern. In other instances, purpose is equated with ESG or brand positioning, potentially narrowing its scope and impact.

Three companies stand out as benchmarks for purpose governance: WSP, TELUS and Scotiabank. WSP places purpose and strategy prominently within its board charter, assigning board responsibilities for articulating a shared understanding of purpose, ensuring it is executed through the strategic plan, and fostering a purpose culture. These practices demonstrate a proactive approach to integrating purpose into governance, strategy and culture.

TELUS also connects purpose to strategy through a specific board responsibility: “Strategy Determination and Social Purpose.” The board’s terms of reference state that it is responsible for approving the company’s social purpose and ensuring the strategic plan includes objectives and goals to advance it.

Scotiabank, like the others, places purpose oversight as the first listed oversight responsibility in its corporate governance policies. The board delegates key responsibilities to its Corporate Governance Committee, including reviewing the bank’s purpose alignment, execution and disclosure.

This highlights the importance placed on purpose oversight, reinforcing its central role within the bank’s governance framework.

All three companies are valuable models for others, showcasing how purpose can be effectively integrated into corporate governance.

Overall, the inclusion of purpose in board mandates is a positive sign, but its full potential as a central driver of governance and strategy remains underutilized. The 15 companies whose boards do not explicitly oversee the company’s purpose, along with those who address it in a limited manner, face a number of risks:

- **Failure to execute the purpose**
inability to effectively integrate and act on the company’s stated purpose
- **Perception of “purpose-washing”**
damaged brand reputation and credibility
- **Insufficient accountability**
disconnect between the stated purpose and actual behaviour, weakening corporate culture and business practices
- **Stakeholder disengagement**
loss of engagement from customers, employees and other key stakeholders
- **Erosion of trust**
reduced trust from both internal and external stakeholders
- **Lack of long-term vision**
short-term focus and missed potential for long-term value creation
- **Financial performance impact**
lack of purpose oversight could result in missed opportunities for purpose-led growth and innovation, potentially affecting the company’s financial performance

Moreover, the 28 TSX 60 companies without a declared purpose likely have boards that are unaware of their organization’s core reason for being. This could limit the board’s ability to act in the best interests of the company – posing a potential fiduciary risk.

Conclusion

This review underscores that purpose governance is still emerging among Canada's leading companies. While a third of the TSX 60 firms with a declared social purpose have taken steps to embed purpose oversight into board mandates, few have done so comprehensively. Most treat purpose as a consideration—rather than a compass—limiting its potential to guide long-term value creation.

However, companies such as WSP, TELUS and Scotiabank provide valuable models. Their board mandates clearly define oversight responsibilities for purpose, signaling the priority these boards place on purpose leadership.

As expectations rise for companies to act on their stated purposes, boards have a critical role to play. Purpose oversight is not just a governance formality—it can help ensure purpose is actively considered in strategic decisions and corporate direction.

Making purpose a cornerstone of governance enables companies to realize its full benefits. Boards are key to bringing purpose to life, and through their active stewardship can generate long-term benefits for both the company and society.

Resources

To support boards and leaders in strengthening purpose governance, the following resources offer practical guidance, best practices, and insights into the evolving role of boards in purpose oversight:

[Purpose Governance Guidelines for Boards](#)

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

[Stakeholders and Purpose: A New Governance Era](#) (podcast), Governance Professionals of Canada

[The State of Purpose Governance in Canada 2024](#), Canadian Purpose Economy Project

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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. We are grateful to Coast Capital, our Founding Purpose Champion, for its support. The Canadian Purpose Economy Project is a project of the Canadian Business for Social Responsibility Education Foundation.

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