

Purpose Governance Toolkit

A practical guide for boards overseeing and advancing corporate purpose

Purpose is becoming a governance issue that boards can no longer leave implicit. Boards are operating in a period of heightened turbulence and complexity. Rapid shifts in markets, regulation, and stakeholder expectations require clearer strategic direction and more agile decision-making.

Organizational purpose — **why** the company exists — is distinct from vision, which describes **where** the organization is headed, and mission, which explains **what** the organization does to bring its purpose to life through daily activities. Purpose is also distinct from ESG and impact: ESG or sustainability focuses on managing material environmental, social, and governance issues, and impact refers to the outcomes that result from the company's activities. While many boards and management teams are beginning to articulate purpose more clearly, the next step is to embed it into board oversight and governance practices.

This toolkit helps boards turn purpose from a broad idea into a practical governance discipline. It is designed to support directors in testing strategic trade-offs, aligning capital allocation, strengthening CEO accountability, and improving risk oversight and long-term value creation.

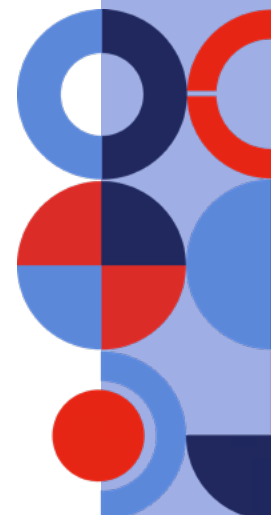
When boards do not actively oversee purpose, organizations face several risks. These include an inability to deliver on stated purpose, a gap between purpose commitments and business behavior, and perceptions of “purpose washing” that can erode credibility and trust. Weak purpose governance can also limit a board's ability to guide long-term strategy, identify emerging risks and opportunities, and support sustainable value creation. In some cases, it may also limit the board's ability to fully discharge its oversight responsibilities.

Strong purpose governance helps ensure that a company's purpose informs strategic direction, organizational culture, and key decisions. **When boards actively oversee purpose, they can align leadership incentives, capital allocation, and organizational culture with the company's long-term direction.** This strengthens accountability, builds stakeholder trust, and supports long-term performance.

Designed for boards of directors, governance committees, and corporate secretaries, this toolkit provides a diagnostic, a board-CEO conversation guide, and practical governance practices. These can be used immediately in board discussions, evaluations, and oversight processes.

Because organizations differ in size, structure, and strategic context, the practices outlined here are intended as guidance rather than prescriptive requirements. Boards can adapt them to strengthen oversight and ensure that purpose informs the organization's direction, culture and long-term value creation.

This toolkit is organized into three components: a diagnostic, a conversation guide, and actionable governance practices.



Toolkit 1: Quick Diagnostic: 10 Questions for Boards

Boards can use these questions to assess whether the company's purpose is meaningfully embedded in governance and strategy.

1. Purpose definition

Has the board formally reviewed, approved, and periodically revisited the company's purpose?

2. Strategic alignment

Does the company's strategy clearly demonstrate how the purpose will be advanced?

3. Capital allocation

Are major strategic, investment, and capital allocation decisions tested against the company's purpose?

4. CEO accountability

Is the CEO explicitly accountable for advancing the company's purpose?

5. Executive incentives

Are executive compensation and performance goals linked to long-term outcomes related to the purpose?

6. Organizational culture

Does leadership actively reinforce the purpose through culture, employee engagement, and talent practices?

7. Risk oversight

Does the board consider risks to, or arising from, the company's purpose?

8. Performance monitoring

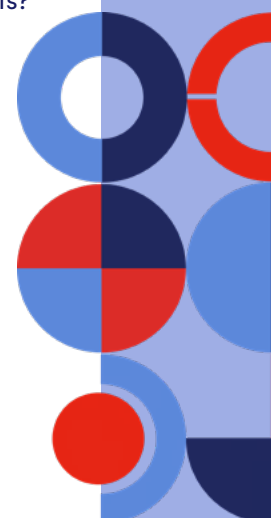
Does the board regularly receive reporting on progress toward purpose-related goals and targets?

9. Director understanding

Can directors clearly explain how the company's purpose contributes to long-term value creation?

10. Board effectiveness

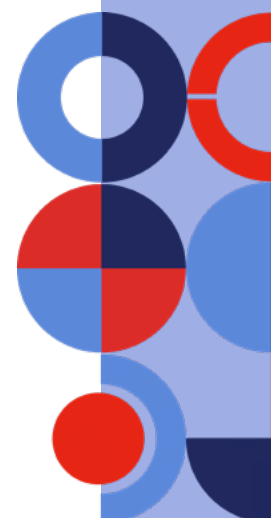
Does the board periodically evaluate whether it is effectively overseeing the company's purpose?



Toolkit 2: Board–CEO Conversation Guide

Boards can use these questions to deepen discussions with management about how purpose is integrated into the business.

Strategy	<p>How does our purpose shape the company's long-term strategy?</p> <p>Where do we see the greatest opportunities to advance the purpose through our business model, including through engagement with key stakeholders and value chain partners?</p> <p>How do we evaluate strategic trade-offs when purpose and short-term financial outcomes appear to conflict?</p>
Capital Allocation	<p>How does the company prioritize investments that advance its purpose?</p> <p>Are there areas where capital allocation decisions could unintentionally undermine the purpose?</p> <p>How does the company demonstrate the relationship between purpose and financial performance?</p>
Culture and Leadership	<p>How do employees experience, understand and apply the company's purpose in their daily work?</p> <p>How is leadership held accountable for reinforcing the purpose across the organization?</p> <p>How do we gain assurance that the company's culture and behaviours actively reinforce our purpose?</p>
Measurement and Reporting	<p>Which metrics demonstrate whether the company is advancing its purpose?</p> <p>How does progress on purpose contribute to long-term value creation?</p> <p>How do we gain assurance that reported progress on our purpose is reliable and consistent across disclosures?</p>
Risk and Reputation	<p>Where are the greatest risks to the credibility or realization of the company's purpose?</p> <p>How does the company monitor and respond to potential gaps between purpose and behavior?</p> <p>How does the company identify blind spots and capture new ideas to advance its purpose?</p>



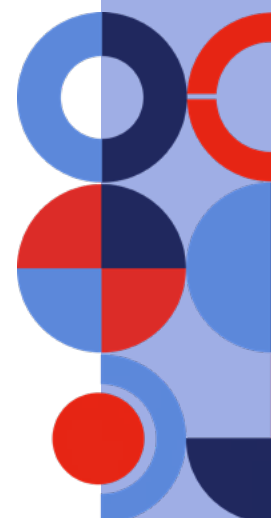
Toolkit 3: Practical Guidance for Boards

Instead of...	Try...
<ul style="list-style-type: none">• Treating purpose as branding• Separating purpose from strategy• Overlooking trade-offs• Delegating purpose entirely to management	<ul style="list-style-type: none">• Ensuring that purpose informs long-term strategy, key decisions, and capital allocation• Linking leadership incentives to long-term outcomes that advance the purpose• Reviewing regular reporting on how the company is advancing its purpose• Considering purpose when evaluating major investments, partnerships, acquisitions and other significant decisions• Understanding how employees, customers, and investors interpret and advance the company's purpose• Disclosing progress on purpose and its link to strategy and performance

How Boards Can Use This Toolkit

Boards can use this toolkit at key moments in their governance cycle, including:

- **Annual strategy discussions:** Evaluate whether the company's strategy advances its purpose.
- **Compensation decisions:** Assess whether compensation reflects purpose accountability.
- **CEO performance objectives:** Assess whether CEO objectives advance the company's purpose.
- **CEO performance reviews:** Assess leadership accountability for purpose-related outcomes.
- **Board and committee roles:** Ensure oversight of purpose is explicitly reflected in roles and mandates.
- **Board education:** Ensure directors are equipped to oversee the company's purpose.
- **Board evaluations:** Review whether the board is effectively overseeing the company's purpose.
- **Investor engagement:** Explain how the company's purpose supports long-term value creation.



References:

- [Purpose Governance Guidelines for Boards](#)
- [State of Purpose Governance Amongst the TSX 60](#)
- [Purpose Due Diligence for Investors](#)
- [Disclosing With Purpose: Guidance for Preparers and Users of Purpose Disclosures](#)
- [Enhancing Risk Management Practices: A How-to Guide for Social Purpose Companies](#)
- [Social Purpose Decision Lens Tool](#)
- [Employee Social Purpose Lifecycle Tool](#)
- [Social Purpose Assessment Tool](#)

Acknowledgements

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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 enable social purpose businesses to start, transition, thrive, and grow. The Project convenes, connects, and collaborates to advance social purpose business in Canada and support an economy where purpose is embedded in strategy, decision-making, and long-term value creation.

The Canadian Purpose Economy Project is a project of the Canadian Business for Social Responsibility Education Foundation. Coast Capital is the Founding Purpose Champion.