



THE SOCIAL PURPOSE TRANSITION PATHWAY

Helping companies
move from "say" to "do"

**MARCH
2022**

ACKNOWLEDGEMENTS

We would like to extend our gratitude to members of the Horizontal Policy Unit at the Social Innovation and Community Development Directorate (SICDD), Employment and Social Development Canada (ESDC), for contributing to this research report. This project received funding from the SICDD of ESDC. We would also like to thank our partners at the United Way British Columbia's Social Purpose Institute, in particular Mary Ellen Schaafsma, for sharing her insights and thought leadership, and members of the Corporate Knights Research Team – Ralph Torrie, Aleena Naseem, and Ricardo Calderon – who assisted with data gathering and analysis and offered feedback on drafts of this report.

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FOREWORD

Social Purpose has become a swiftly emerging trend in business and will soon be a 'must-have' versus a 'nice-to-have' for resilient and flourishing companies – and communities. The United Way of BC recognized this early on, and in 2018 began fostering social purpose in businesses through its Social Purpose Institute (UW SPI). The UW SPI was created to add business value for corporate partners and to impact significant and lasting change in society by helping companies themselves become engines for good, beyond traditional philanthropy.

We have seen substantial acceleration of the social purpose movement in Canada – from one or two articles per year in the business literature to two to five per week today. In 2021, UW SPI virtually convened over 300 people from across Canada to discuss the roadmap to the Purpose Economy – through the social purpose movement. We have worked with over 40 companies to help them adopt and embed a social purpose, and those companies are doing well, not only in business but in innovation and impact on creating a better world, by doing business.

UW SPI was pleased to partner with Corporate Knights on this project. Their new rating has proven robust and is a great contribution to the research and the practice of social purpose. The companies included here are on the right path and are serving as models for other companies who want to share space on these pages with the leaders in the field. Once a company adopts a social purpose it needs to implement it in all that it does to ensure authenticity and that is what this rating looks at – how well the company has embedded its social purpose in meaningful ways. There is still much to learn for us, for them, for others not yet on this journey; we see that while there is much progress, there is still a long way to go. We commend those business leaders and companies who have embarked on this journey with conviction and commitment, and we look forward to welcoming more into this new era of the Social Purpose Business.

Michael McKnight, President & CEO, United Way BC

Mary Ellen Schaafsma, Director, United Way Social Purpose Institute



United Way
British Columbia

Working with communities in BC's
Interior, Lower Mainland, Central
& Northern Vancouver Island

UNITED WAY SOCIAL PURPOSE INSTITUTE

March 2022

ACCELERATING THE ADOPTION OF SOCIAL PURPOSE IN BUSINESS – WHAT YOU CAN DO

Investor: If you are an investor or banker and want to finance the growth of social purpose companies, engage your portfolio companies on social purpose governance.

Business: If you are a social purpose business and want to authentically and impactfully deliver on your purpose, follow the best practices in this report.

Academia: If you are a business school professor, you can cover social purpose business models in your curriculum and conduct social purpose research.

ESG Leader: If you are an ESG leader, understand how ESG and CSR differ from social purpose.

Policy-Maker: If you are a policymaker, understand the role you can play to accelerate authentic social purpose in business.

Civil Society: If you are a civil society organization, use these results to inform your engagement and expectation of social purpose companies.

Employee: If you are a business employee, share these results with your company leaders.

Corporate Knights Leader: If you are one of Corporate Knights' [100 Most Sustainable Corporations in the World](#) or a [Best 50 Corporate Citizen in Canada](#), define your path to social purpose excellence.

Executive Summary

1. Introduction

The purpose of this project is to assess the degree to which companies with a stated social purpose are governing, implementing, and disclosing progress on their purpose. This is the first Social Purpose Rating in the world focused on implementation.

2. Defining Social Purpose

Social purpose (or, more simply, purpose)[†] is an emerging field of corporate practice. In the absence of an authoritative definition,[‡] this project draws upon the [definition from the United Way Social Purpose Institute](#), which is “a social purpose business is a business whose enduring reason for being is to create a better world.” Social purposes can be social or environmental, or a combination thereof. A social purpose company is focused on making the world better, not just making better things. It doesn’t just serve customers; it serves society.

3. Rating Social Purpose Performance

The social purpose business field is in its infancy. There are no off-the-shelf rating systems, metrics, or criteria available to validate a company’s authentic approach to governing and implementing its purpose. Corporate Knights developed its own formula for this and based its criteria on information that is typically found in the public domain and is thus readily verifiable.

To be included in the rating, a foundational criterion is that a company have a formal, written, and publicly accessible social purpose statement that has an explicit societal component. (We did not evaluate the quality of the social purpose statement.) The chart below sets out the criteria that were then used to rank the companies’ implementation practices.

CRITERIA*	
OPERATES	Culture: corporate values
	Strategy: balanced scorecard, corporate strategy, business plan, strategic priorities
	Incentives: short-term incentive plans
	Performance Objectives: CEO (annual)
	Performance Objectives: Executives (annual)
	CEO Role: formal role description
GOVERNS	Board Oversight: terms of reference
	Disclosures: progress reports

*See Appendix B for a detailed table with definitions and scoring rubric for each of the criteria.

Every one of the 34 companies included in this study is ahead of the pack. Out of an initial sample of 197 businesses with headquarters or significant operations in Canada, only 34 met the gateway criteria of having a stated purpose that creates value for society, rather than solely for shareholders or customers, putting them ahead of most of their peers and competitors regardless of their placement in this rating exercise.

[†] This report uses “purpose” and “social purpose” interchangeably.

[‡] ISO 37000 “Governance of organizations – Guidance” defines a purpose as the company’s meaningful reason to exist; the British Academy defines a purpose as “producing profitable solutions to the problems of people and planet, and not profiting from creating problems.”

4. The Social Purpose Transition Pathway

The findings suggest that there may be a common five-step transition pathway that companies take on their journey from social purpose adoption to social purpose execution or implementation.



5. Findings and Observations

There are few companies with clear societal purpose embedded in their purpose statements, and purpose is often conflated with ESG and CSR.

- Few companies (17% or 34 out of 197) we studied in the original/source universe have social purpose statements that go beyond value creation for shareholders and customers to expressly focus on creating value for society more broadly.
- Those that made the cut for this project had purpose statements that are qualitatively different – their social purpose statements were oriented to external (society more broadly) impacts – and focused on creating a better world.
- While the companies studied had a clearly stated social purpose, at the same time there was a notable tendency to conflate social purpose with ESG among many of them.
- Those that engaged in the exercise by submitting additional evidence at the validation stage received score increases in all cases but one.

Companies are taking action to embed their social purpose in some areas more than others.

- Companies are strongest in aligning their values (culture) with their purpose and disclosing progress on their purpose.
- Many companies also include social purpose goals and priorities in the corporate strategy.
- Companies lag in two central areas: board oversight and CEO role.
- In the middle fell execution on purpose-driven pay and performance objectives for the CEO and for the executive team, with well over a third of companies scoring 0 on this criterion.
- The gateway indicators for effective, authentic, and impactful purpose execution are embedment in strategy and incentives. The foundational indicators are the formalization of purpose governance and execution in the board and CEO terms of reference respectively.

6. Company Rating – Platinum, Gold, Silver, Bronze

Companies were given an overall score and divided into four quartiles – platinum, gold, silver, bronze – to establish a score-based rating. The results are set out here.



Assiniboine Credit Union*
BCLC (British Columbia Lottery Corporation)*
Chandos Construction*
Coast Capital Savings*
Co-operators*
Hemlock Printers Ltd*
LGM*
Modo*

Algonquin Power & Utilities Corp
BASF Canada
Fortis Inc
HSBC Bank Canada
Libro Credit Union*
Maple Leaf Foods
Microsoft
TELUS Corporation
Unilever



Bank of Montreal
BlackRock
Desjardins*
GE
Nutrien Ltd
SAP
SNC-Lavalin Group Inc
Toronto-Dominion Bank
Traction on Demand*

Cascades Inc
Fining
High Liner Foods
Lululemon
McDonald's
RBC
Stantec Inc
Starbucks Coffee



*Private companies, including co-operatives and crown corporations.

7. Recommendations

We have just scratched the surface of the social purpose company with this rating. We believe we have uncovered a social purpose transition pathway and a purpose governance formula that authentic purpose companies can follow. Our research has revealed important building blocks to foster and accelerate credible and impactful results from social purpose companies.

Purpose Leadership Checklist

Use this Purpose Leadership Checklist to assess your company's purpose practices. Adopting these seven practices will build trust and credibility, reduce the risk of purpose-washing, and generate greater societal benefits. Having strong purpose practices will enhance talent attraction, retention, and engagement; drive innovation; and attract customers, partners, and investors. Getting these practices in place can take up to two years, so it is best to get started now.

- Communication:** Clearly state your purpose on your home page or "about us" page. Explain what your social purpose means and communicate how the purpose creates value for your business, customers, and society. Make sure your social purpose statement has a verb, as in "we exist to [verb]."
- Culture:** Ensure at least one or more of your corporate values have an explicit tie to the purpose to embed your purpose in your culture.
- Strategy:** Incorporate purpose goals, targets, and metrics in your corporate strategy or balanced scorecard. Adopt three-year or longer purpose performance objectives and incentives, enabling agile responses to short-term imperatives and a focus on a few enduring and longer-term purpose-driven outcomes.
- Governance:** Clearly define the CEO's role in purpose execution, formalized in the role description. Clearly define the board's role in providing oversight of purpose execution, formalized in the board's roles and responsibilities in its charter or terms of reference.
- Incentives:** Include purpose metrics in your incentive plans alongside, and at least on par with, financial and other operational metrics. Include clear purpose deliverables within the CEO's annual performance objectives. Ensure all company executives have at least one purpose performance objective.
- Disclosure:** Disclose your approach to governing and executing your purpose. Disclose your purpose performance against purpose goals, targets, and metrics in your main disclosures.
- Differentiated ESG:** Differentiate between your purpose goals, targets, and metrics and your ESG goals, targets, and metrics.

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1. Introduction



The purpose of this project is to assess the degree to which companies with a stated social purpose are governing, implementing, and disclosing progress on their purpose. This is the first Social Purpose Rating in the world focused on implementation. It is hoped that this addition to the thought leadership in this emerging field will influence investor expectations, create a roadmap for effective social purpose implementation, advance the social purpose field in Canada and beyond – and accelerate progress toward a sustainable future.

Corporate Knights believes that companies with a societal purpose as the reason they exist bring all their assets, resources, competencies, and relationships to tackle a societal issue, and this progress is necessary to ensure humans live well within the carrying capacity of the planet. The urgency of major social and environmental crises (e.g., climate change, social polarization, inequality, systemic racism, and the pandemic) necessitates that business play a role to address them. To put society on a sustainable path, it is imperative that all business contribute to solutions; we must hasten the transition to – or we might say back to¹ – social purpose business and a Purpose Economy.²

“The purpose of this project is to assess the degree to which companies with a stated social purpose are **governing, implementing, and disclosing progress on their purpose.”**

Corporate Knights has a 20-year track record in corporate benchmarking and rating systems, with a particular focus on ESG performance, and is well known for its annual [100 Most Sustainable Corporations in the World](#) and [The Best 50 Corporate Citizens in Canada](#) rankings. In this paper, we

¹ Mark Carney notes in his 2021 book, *Values: Building a Better World for All*, that companies having a social or societal purpose is not new; indeed, in past eras it was the norm. We might, therefore, think of the current state as a return to or re-emergence of social purpose at the heart of why companies exist.

² The Purpose Economy is defined as an economy powered by the pursuit of long-term well-being for all in which business and regulatory and financial systems foster an equitable, flourishing, resilient future.

now turn our attention to WHY the company exists, as a central question for society and capital markets. Our goal is to shed light on the practices of the pioneers so that others can learn from them, and so we can guard against “purpose-washing”³ as this field matures.

Our primary objectives for this research are to:

- **Determine the current state of play** – Understand how social purpose is being implemented among public and private companies⁴ in Canada
- **Foster continuous improvement** – Identify best practices, determine gaps, and share learnings among the players already making the social purpose transition, those just starting out, and perhaps most importantly, for those not yet at the starting blocks
- **Establish a purpose baseline and emergent standards** – Create a purpose governance and implementation benchmark that can be replicated, offer a foundation for the development of global standards, and potentially be integrated into our cyclical performance rankings and ratings

Ultimately, we hope that the insights from this first-ever rating of purpose implementation in business in the world will drive interest from capital market players, the private sector, academics, governments, and civil society in the opportunity to catalyze social purpose business to create a better world. By establishing emergent standards such as the criteria developed for this project, we hope to head off purpose-washing so it doesn’t become entrenched, foster cynicism, and create confusion in the marketplace, while simultaneously accelerating the take-up of social purpose business to hasten the pivot to a Purpose Economy.

To this end, we are aligning with the emergent purpose narrative as expressed at Canada’s first [Purpose Economy Summit](#), convened by the United Way Social Purpose Institute in 2021, summarized in the eBook [Propelling the Canadian Purpose Economy: A Framework for Action](#).

Social Purpose Performance at a Glance

- Companies are adopting a social purpose as the reason they exist.
- The process of becoming a social purpose company takes time.
- There is a social purpose transition pathway.
- Companies are strongest on aligning their corporate values and disclosures to their social purpose.
- They are weakest at social purpose governance.
- Private companies are stronger social purpose performers than public companies.
- The two top indicators of authentic purpose execution are embedment of purpose in the corporate strategy and executive performance incentives.
- We are at the frontier of social purpose execution, but best practices exist.
- Boards have a central role to play to ensure effective, authentic, and impactful purpose performance.

³ By “purpose-washing,” we mean when a company or organization overstates or misstates their purpose-driven motives.

⁴ For the purposes of this project, “company” means any entity that is registered under the Canada Business Corporations Act, any of the provincial Business Corporations Acts (also called Corporations Acts or Companies Acts), the Canada Cooperatives Act, and any Acts governing financial institutions under the jurisdiction of the Office of the Superintendent of Financial Institutions (OSFI) (e.g., The Bank Act), and global corporations headquartered outside of Canada but with significant operations in Canada. They include public and private companies. But we did not study social purpose start-ups or non-profit social enterprises and expect they would have a different social purpose trajectory.

2. Social Purpose Defined



Social purpose (or, more simply, purpose)⁵ is an emerging field of corporate practice. In the absence of an authoritative definition,⁶ this project draws upon the [definition from the United Way Social Purpose Institute](#): “a social purpose business is a business whose enduring reason for being is to create a better world.” Social purposes can be social or environmental, or a combination thereof. A social purpose differs from other types of purposes, such as a profit purpose (to generate profit for shareholders); a product purpose (to have the best products); or a customer purpose (to offer the best customer experience). A social purpose company is focused on making the world better, not just making better things. It doesn’t just serve customers; it serves society. Companies that have a societal purpose and yet focus only on their customers or products in implementing their purpose are not fully executing on their purpose and do not live up to the promise of their purpose.

Social purpose companies need to direct all their assets, competencies, resources, and relationships in delivery of their purpose as their reason to exist.⁷ Incumbent companies that define, reconstitute, or codify their purpose begin a journey to realize their purpose authentically and fully, bringing all their assets, influence, reach, and scale to deliver on it. This does not happen overnight, as this rating project reveals. Start-ups and small businesses have an advantage over large companies in this journey, but both are equally expected to fully incorporate their purpose into their business models.

Social purpose differs from mission and vision. A social purpose, or purpose, is why the company exists. A mission is what the company does and how it does it (i.e., how it brings the purpose to life/achieves the purpose); a vision is where the company is headed – what the organization or world will be like if the purpose is realized. The vision is the ideal state or outcome that the social purpose company wishes to achieve.⁸

⁵ This report uses “purpose” and “social purpose” interchangeably.

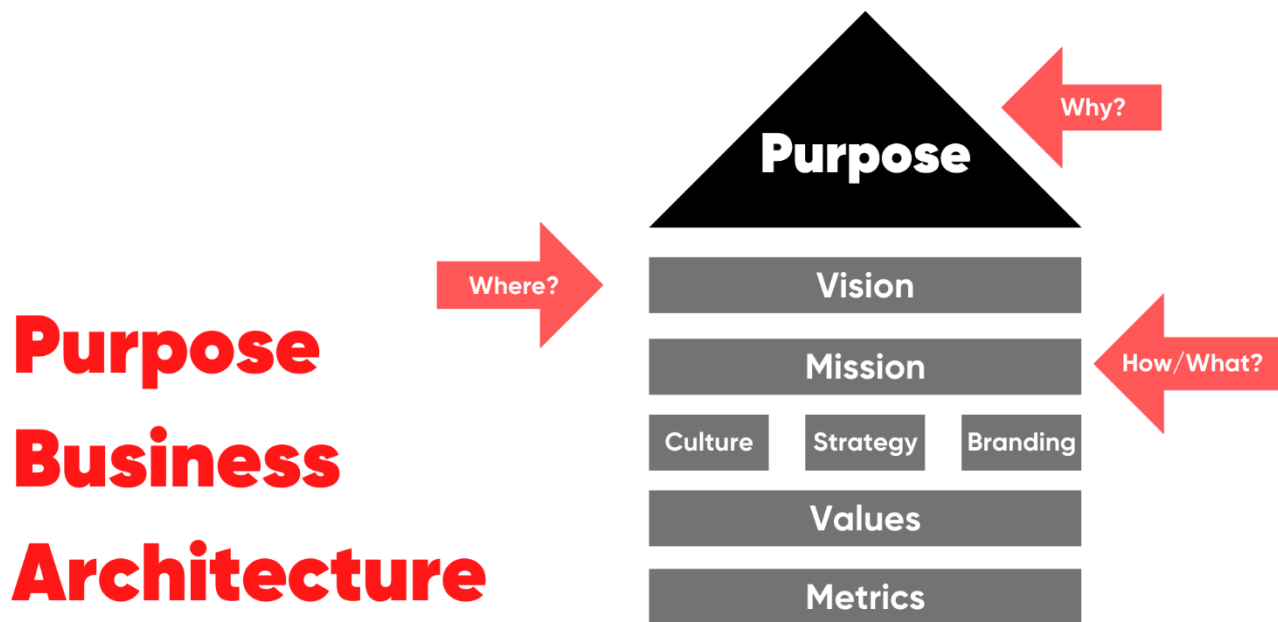
⁶ ISO 37000 “Governance of organizations – Guidance” defines a purpose as the company’s meaningful reason to exist; the British Academy defines a purpose as “producing profitable solutions to the problems of people and planet, and not profiting from creating problems.”

⁷ See [Social Purpose Assessment Tool](#) for guidance on how to fully execute on a social purpose.

⁸ “Social Purpose Business Definition,” p. 4.

"Social purpose differs from mission and vision."

As illustrated below, the purpose sits atop the corporate architecture and sets the direction for the vision, mission, culture, and strategy. Some companies use other terms for "purpose," including "mission" (one of the companies in our sample took this approach). If it answers why the company exists, it is considered a purpose. To be an expression of why a company exists, the purpose statement needs to start with a verb, as in "we exist to [verb]." If the verb is missing, it is implied. (About a third of the companies in our sample were missing the verb.)



*Used and adapted with permission from the United Way Social Purpose Institute. Our rating system studied the purpose, culture/values, strategy, and metrics elements of this "house."

Social purpose differs from corporate social responsibility (CSR) and ESG (environmental, social, and governance). At its simplest, a social purpose is the societal reason a company exists, and CSR or ESG refer to how a company manages its ESG risks and improves its social or environmental performance.⁹ CSR/ESG do not influence how a company mobilizes all its assets, resources, competencies, relationships, influence, and reach on its societal quest or overarching ambition. Social 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.

⁹ For the purpose of this report, we will use the term ESG to generally mean ESG, CSR, and sustainability. While there are important distinctions between the three, they are not the focus of this report.

Social Purpose vs. CSR/ESG

SOCIAL PURPOSE



A company's societal reason to exist

CSR/ESG



A company's approach to managing its social and environmental risks and improving its social or environmental performance

If the company's purpose relates to accelerating the circular economy or reducing income inequality, then there will be social or environmental metrics to steer and measure progress on those specific purpose ambitions. In addition, the company may have other social and environmental (i.e., ESG) priorities, including addressing climate change; enhancing equity, diversity, and inclusion; embracing Indigenous reconciliation; fostering human rights in the supply chain; promoting workplace safety, et cetera – however, those are not directed at the circular economy/income inequality purpose. ESG practices and performance are not a proxy for social purpose. This becomes blurred when the social purpose itself is to improve social, environmental, and economic conditions in some fashion. This blurring makes it difficult to distinguish purpose from ESG in these companies. They have a greater responsibility to help their stakeholders understand where the purpose ends and their ESG begins. Time will sort out these practices as more attention is given to this issue.

"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."

Social purpose is also not a company's values, an initiative, a brand, tagline or slogan, morality, altruism, giving back, or its philanthropy, community investment, or social impact program. It is its unique reason for being in business at all. It is an inspirational and aspirational reason for being, a burning ambition, a higher calling, and the engine that powers the business. The core offer of a social purpose business is aligned with long-term societal solutions so that the company's core business, products, services, relationships, and operations create value for, and benefit, society. A social purpose is a North Star, an ongoing quest, forever pursued.¹⁰

This project undertook to untangle the complexities of companies that conflate their ESG, CSR, and social impact with their core reason for existing, and company rankings reflect this effort. As companies, and their boards and leaders, come to better understand the significance of a purpose and the practices to implement one, it is expected these complexities will be resolved.

¹⁰ Taken from UW SPI's "[Social Purpose Business Definition](#)."

3. Rating Social Purpose Performance



Once a company adopts or updates its purpose, its next immediate step is to implement the purpose. This report and rating system is designed to understand the state of play and best practices in purpose implementation in Canada.¹¹

The social purpose business field is in its infancy. There are no off-the-shelf rating systems, metrics, or criteria available to validate a company's authentic approach to governing and implementing its purpose. Corporate Knights developed its own formula for this and based its criteria on information that is typically found in the public domain and is thus readily verifiable. The criteria selected for study are deemed self-evident measures of a company's approach to purpose governance and implementation as set out in the following table. They were chosen for this project because they were quantifiable, with less uncertainty and subjectivity compared to other measures. (See the United Way Social Purpose Institute's [Social Purpose Assessment Tool](#) for a list of other implementation criteria.)

To be included in the rating, a foundational criterion is that a company have a formal, written, and publicly accessible social purpose statement that has an explicit societal component. (We did not evaluate the quality of the social purpose statement.) The chart below sets out the criteria that were then used to rank the companies' implementation practices.

**“Social purpose is a long
journey of transition.”**

¹¹ We do not generalize our findings beyond Canada.

	CRITERIA*	EVIDENCE
OPERATES	Culture: corporate values	One or more company values has a clear link to the social purpose
	Strategy: balanced scorecard, corporate strategy, business plan, strategic priorities	Balanced scorecard/corporate strategy/ business plan/strategic priorities has goals, targets, and/or metrics tied to the social purpose
	Incentives: short-term incentive plans	Company short-term executive incentive plan includes social purpose pay link
	Performance Objectives: CEO (annual)	CEO annual performance objectives include social purpose deliverables
	Performance Objectives: Executives (annual)	Executive annual performance objectives include social purpose deliverables
	CEO Role: formal role description	CEO position profile includes social purpose execution
GOVERNS	Board Oversight: terms of reference	Board terms of reference/Charter specifies that the board has oversight of the company's social purpose execution
	Disclosures: progress reports	Company discloses the social purpose and progress against it

*See Appendix B for a detailed table with definitions and scoring rubric for each of the criteria.

As can be seen from these criteria, the rating system does not include social purpose impact, which is the most desirable criteria of all. However, it is too early in the evolution of social purpose to be assessing social purpose impact – the degree to which a company generates positive societal impacts from its purpose investments. Ultimately, this is a necessary development for both capital markets, so it knows how to direct its capital, and the public, so it knows who to invest in, what to buy, and where to work. Future rating systems will undoubtedly consider the material benefits a company is creating for society as a result of its purpose.

Social purpose execution is a long journey of transition. We also recognize that a fully purpose-driven organization would have all its strategy, incentives, performance objectives, and values focused on its purpose. However, in our ranking of companies, we gave credit where some of its strategy, incentives, performance objectives, and values focused on purpose, recognizing that social purpose execution is a long journey of transition.

The criteria did not enable us to quantitatively assess whether the company is fully living its purpose, nor are we in a position to offer assurance that high social purpose companies are beyond reproach on other ESG issues.

3.1 Social purpose companies are ahead of the pack.

Every one of the 34 companies included in this study is ahead of the pack. Out of an initial sample of 197 businesses with headquarters or significant operations in Canada, only 34 met the gateway criteria of having a stated purpose that creates value for society, rather than solely for shareholders or customers, putting them ahead of most of their peers and competitors regardless of their placement in this rating exercise. These 34 companies are the focus of this report, and detailed findings reported in sections 4 and 5 refer to these companies.

3.2 Companies are adopting a social purpose as the reason they exist.

COMPANY	SOCIAL PURPOSE STATEMENT
Algonquin Power & Utilities Corp	Sustaining energy and water for life
Assiniboine Credit Union	We provide financial services for the wellbeing and resilience of our members, employees, communities, and environment
Bank of Montreal	To boldly grow the good in business and life
BASF Canada	We create chemistry for a sustainable future
BCLC	To generate win-wins for the greater good
BlackRock	We help more and more people experience financial well-being
Cascades Inc	To improve the well-being of people, communities and the planet by providing sustainable and innovative solutions that create value
Chandos Construction	Building a better world
Coast Capital	To build better futures together
Co-operators	To strengthen the financial security of Canadians and their communities
Desjardins	Enriching the lives of people and communities
Finning	To build and power a better world
Fortis Inc	Delivering a cleaner energy future
GE	We rise to the challenge of building a world that works
Hemlock Printers Ltd	To create connections, build community, and inspire actions that safeguard the health of the world's forests
High Liner Foods	Reimagining seafood to nourish life
HSBC Bank Canada	Opening up a world of opportunity
LGM	To accelerate responsible mobility for all
Libro Credit Union	To grow prosperity in southwestern Ontario
Lululemon	To elevate the world by realizing the full potential within every one of us
Maple Leaf Foods	To raise the good in food
McDonald's	To feed and foster communities
Microsoft	To empower every person and every organization on the planet to achieve more
Modo	To transform communities by connecting people with places in a way that's affordable, convenient, inclusive and sustainable
Nutrien Ltd	To grow our world from the ground up
RBC	Helping clients thrive and communities prosper
SAP	To help the world run better and improve people's lives
SNC-Lavalin Group Inc	Engineering a better future for our planet and its people
Stantec Inc	We make a difference in the world by creating communities
Starbucks Coffee	To inspire and nurture the human spirit – one person, one cup and one neighborhood at a time
TELUS Corporation	Connecting Canadians and our communities
Toronto-Dominion Bank	To enrich the lives of our customers, communities and colleagues
Traction on Demand ¹²	To change worlds
Unilever	To make sustainable living commonplace

¹² At the time of conducting this research, Traction on Demand was an independent private company and is included in that capacity. It has since been acquired by Salesforce (March 2022).

4. The Social Purpose Transition Pathway



Section 4 of this report provides detailed findings and learnings. In this section, we lift those findings up to highlight the social purpose transition pathway.

The trend to businesses formally adopting a social purpose as the reason they exist is fairly recent, and this is reflected in that many of the companies in this study appear to have adopted their stated social purpose in the last few years.

As noted earlier, once a company adopts or updates its purpose, its next immediate step is to implement the purpose. The findings suggest that there may be a common five-step transition pathway that companies take on their journey from social purpose adoption to social purpose execution or implementation.

i. Embed social purpose in the culture

First, companies appear to embed their social purpose in their culture, expressed through their corporate values. This may be because it's a natural first step to getting employees to understand and begin to "live" the social purpose. It's also a way to attract, retain, and engage staff, a top motivation for companies adopting a social purpose.

ii. Disclose social purpose progress

Second, companies then appear to focus on disclosing how they are doing against their stated social purpose. There are at least two possible drivers for this order of operations:

- "Say-do" proof-points – Some companies know and understand that if they make a declaration that they are committed to achieving societal benefits through a highly publicized social purpose statement, then they need to demonstrate to the public that they are doing something about it.
- Public reporting track record – Especially for public companies, there is a long history of non-financial disclosure practice, with cumulative experience of disclosing ESG impacts, risks, and

progress to investors and the public; for private companies, which generally are not required to make the same kinds of formal disclosures at all, their disclosures are more informal (e.g., not in an annual report, but maybe in a blog post) and more “public communications” in style, which is reflected in their lower scores on this criteria.

iii. Embed social purpose in the corporate strategy

The third step companies seem to take in formalizing their stated social purpose is to embed it in their corporate strategy. This is where implementation becomes more difficult and confused. Many of the companies in this study seem to conflate their stated social purpose with their CSR, social impact, and ESG programs. They mix up having ESG goals with having a purpose. Those that come out ahead in this study included explicit purpose objectives in their corporate strategy.

iv. Embed social purpose in incentive plans and performance objectives

Fourth, the action of embedding the stated social purpose into the corporate strategy opened pathways to deeper implementation, where direct and explicit links to their stated social purpose is found in their incentive plans and performance objectives.

v. Embed social purpose in board and CEO mandates

Fifth, the final step in social purpose execution, as evidenced by how few had adopted this practice, and what might be considered the Achilles heel, is formalizing responsibility for oversight and execution of their social purpose into the board mandate and CEO role description, respectively. Companies that took this step were more likely to have taken most of the previous steps as well. This is a critical and foundational step and arguably should be a first step for newly minted social purpose companies. We believe that if oversight and responsibility for purpose execution were formalized, we would see more progress on the purpose, and in such a way that it is elevated from conflation with ESG, to sit at the heart of their governance, culture, and strategy.

“Those that come out ahead in this study included **explicit purpose objectives in their corporate strategy.”**



5. Findings and Observations



This section reports the general findings with regard to how companies performed against each of the eight criteria as a whole group. It provides and discusses findings, offers additional observations, and concludes each subsection by highlighting related best practices.

Summary of findings:

- **There are few companies with clear societal purpose embedded in their purpose statements, and purpose is often conflated with ESG and CSR.**
 - Few companies (17% or 34 out of 197) we studied in the original/source universe have social purpose statements that go beyond value creation for shareholders and customers to expressly focus on creating value for society more broadly.
 - Those that made the cut for this project had purpose statements that are qualitatively different – their social purpose statements were oriented to external (society more broadly) impacts – and focused on creating a better world.
 - While the companies studied had a clearly stated social purpose, at the same time there was a notable tendency to conflate social purpose with ESG among many of them.
- **Companies are taking action to embed their social purpose in some areas more than others.**
 - Companies are strongest in aligning their values (culture) with their purpose and disclosing progress on their purpose.
 - Many companies also include social purpose goals and priorities in the corporate strategy.
 - Companies lag in two central areas: board oversight and CEO role.
 - In the middle fell execution on purpose-driven pay and performance objectives for the CEO and for the executive team, with well over a third of companies scoring 0 on this criterion.
 - The gateway indicators for effective, authentic, and impactful purpose execution are embedment in strategy and incentives. The foundational indicators are the formalization of purpose governance and execution in the board and CEO terms of reference respectively.

5.1 There are few companies with clear societal purpose embedded in their purpose statements, and purpose is often conflated with ESG and CSR.

5.1.1 Few companies (34 out of 197) we studied in the original/source universe have social purpose statements that go beyond value creation for shareholders and customers to expressly focus on creating value for society more broadly.

Most companies publish purpose statements that are operationally and/or profit oriented, or else no purpose is expressed/evident. Sometimes they include socially oriented goals, but the impact and benefits are intended solely for customers rather than society.

Best practice companies clearly state their purpose, whether or not it is a social purpose, on their home page or their “about us” page.

5.1.2 Those that made the cut for this project had purpose statements that are qualitatively different – their social purpose statements were oriented to external (society more broadly) impacts – and focused on creating a better world.¹³

Best practice companies have a description or a narrative to explain their social purpose, communicating what the purpose means and how it creates value for the business, customers, and society. They include a verb in their social purpose, as in “we exist to [verb].”

All 34 of the companies included in the study are on a pathway to embedding their social purpose into their business at the highest levels, and at every level below. Many of their social purpose statements will generate societal benefits for customers, although only three explicitly referenced their customers in their purpose. However, our focus for this study is on the societal orientation, so we will not further discuss the companies' orientation to customers in this report. We observed that a number of companies clearly defined what their social purpose meant to them, and this was immeasurably helpful in understanding how the purpose was addressed in the corporate strategy, incentives, and disclosures.

5.1.3 While the companies studied had a clearly stated social purpose, at the same time there was a notable tendency to conflate social purpose with ESG among many of them.

Some companies intermingle their ESG program with their social purpose ambitions, and while the two are related, they are distinct undertakings. A purpose is a reason for existing, and ESG goals address the social and environmental impacts and risks of the company, as set out earlier. Some ESG goals may relate to the social purpose, and in those companies where this is the case, it was difficult to distinguish one from the other. Indeed, some of these companies referred to their ESG goals and their purpose interchangeably, adding to the confusion.

Best practice companies differentiate between their purpose goals, targets, and metrics and their ESG goals, targets, and metrics, being clear about the overlap and rationale where one exists.

¹³ As defined here: [“Social Purpose Business Definition.”](#)

5.1.4 Those that engaged in the exercise by submitting additional evidence at the validation stage received score increases in all cases but one.

Engagement in this exercise mattered; it allowed companies to point us to things we couldn't find and gave them a chance to interpret their stated social purpose more clearly for us so that we could better see the links in the evidence for each criterion.

Private companies were more engaged and more likely to request a call to better understand the criteria and their preliminary assessment results, as well as to submit more evidence on more criteria as a result. Partially, this reflects the strong interest of the private companies in our sample in their social purpose journey. They were mostly companies that have undertaken social purpose training and were deeply committed to getting it right. It also reflects that, as private companies, many do not make formal disclosures and had therefore not included evidence against that criterion in their initial submission, so they were able to correct that by sharing other forms of public disclosure. Finally, many hadn't submitted details on their incentive plans to support their claims, and many conflated information related to incentive plans with performance objectives, which was clarified for them when they saw the full scoring rubric at validation stage and enabled them to supply the appropriate evidence.

Public companies also benefited from engagement, and by sharing our full scoring rubric in the interest of transparency they were able to better understand the criteria and submit additional evidence to demonstrate their practice. Fewer public companies, however, requested calls to clarify the criteria and evidence requirements, which likely impacted the quality or appropriateness of the additional evidence they submitted during validation stage, resulting in fewer score changes.

From this experience we conclude that when information is not readily accessible and can be found only through direct engagement with a company, it makes it impossible for shareholders, customers, and the public to evaluate how the company is implementing the purpose. This opacity may increase the perception of purpose-washing and lead to suspicion that the purpose statement is window dressing or marketing speak and not core to the company's operations in the public mind.

Best practice companies disclose their approach to governing and executing their purpose, to enable third-party benchmarking and comparisons and to foster trust.

5.2 Companies are taking action to embed their social purpose in some areas more than others.

Once companies adopt a social purpose, they need to govern and execute it. The remainder of the findings and observations section looks at governance and execution in detail.

IMPLEMENTATION CRITERIA

CULTURE	STRATEGY	INCENTIVES (SOCIAL PURPOSE PAY LINK)	PERFORMANCE OBJECTIVES: CEO
PERFORMANCE OBJECTIVES: EXECS	CEO ROLE	BOARD OVERSIGHT	DISCLOSURE

TABLE 1: DISTRIBUTION OF COMPANIES BY CRITERIA (ALL COMPANIES)

SCORE	CULTURE	STRATEGY	INCENTIVES (SOCIAL PURPOSE PAY LINK)	PERFORMANCE OBJECTIVES: CEO	PERFORMANCE OBJECTIVES: EXECs	CEO ROLE	BOARD OVERSIGHT	DISCLOSURE
# SCORED 0	3	9	14	14	12	22	20	4
# SCORED 1	6	7	6	5	12	0	6	16
# SCORED 2	25	6	6	15	10	12	6	9
# SCORED 3***	N/A	12	7	N/A	N/A	N/A	N/A	5
#TOTAL	34	34	33*	34	34	34	32**	34
% SCORED 0	8.8	26.5	42.4	41.2	35.3	64.7	62.5	11.8
% SCORED 1	17.6	20.6	18.2	14.7	35.3	0.0	18.8	47.1
% SCORED 2	73.5	17.6	18.2	44.1	29.4	35.3	18.8	26.5
% SCORED 3	N/A	35.3	21.2	N/A	N/A	N/A	N/A	14.7
% TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* One company was not allowed to offer incentives under its regulatory framework, and was therefore not counted on this criterion.

** Two private companies did not have boards; as they are not required to have a governing board under their regulatory framework, they were not counted for this criterion.

***Three of the eight criteria were ranked out of 3, and the remaining were ranked out of 2. See methodology for more information.

NB: 34 companies were the focus of this study, and findings reported in section 5 and 6 of this report reference this group of 34.

5.2.1 Companies are strongest in aligning their values (culture) with their purpose and disclosing progress on their purpose.

Culture (n=31 out of 34, 91.2%) and Disclosures (n=30 out of 34, 88.2%) were the two criteria where most companies in the study were able to demonstrate a clear and explicit link to their stated social purpose. This suggests that companies have prioritized the employee experience, perhaps to reduce brand risk, to increase employee retention and engagement, or to align employee behaviours and actions to the purpose and drive innovation. Purpose disclosure likely ranks high because companies want the marketplace to perceive them as acting on their purpose.

On culture, 25 of the 31 (73.5%) scored top marks where at least one corporate value is explicitly linked to their stated social purpose. The scores were more mixed on disclosures, with most private companies achieving a score of only 1, meaning their disclosures made reference to their social purpose but did not provide enough information to assess progress against them, compared to public companies that were more likely to achieve a score of 2 or 3.

Observations on culture criteria (corporate values)

- While most companies have clearly embedded their purpose in their corporate values, a small group (n=6 out of 34, 17.6%) have only an implicit purpose-values link; it is indistinct and vague.
- Some companies appear to not have updated their corporate values to reflect their purpose.

VALUES: Best practice companies ensure that 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.

Case examples: BMO and Coast Capital

Each of these companies has at least one corporate value that explicitly links to its stated social purpose (“to boldly grow the good in business and life” in the case of BMO and “to build better futures together” in the case of Coast Capital):

BMO

“Responsibility: Make tomorrow better”

Coast Capital

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

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

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

Observations on disclosure criteria

- This is an area where public companies rank better than the private companies because they have regulated annual disclosures. They are disclosing progress on their purpose in their annual reports. Private companies that do not have regulated disclosures are less advanced in reporting on their purpose performance.
- Nearly 100% of companies referred to their purpose statement in their regulated disclosures, typically within the first few pages of the report, signalling their purpose commitment to key stakeholders and showing that this narrative is catching on in business.
- Very few earned top marks for this criterion (n=5 out of 34, 14.7%); most disclose their purpose achievements but not relative to purpose goals or targets.
- Purpose disclosures are inconsistent, making it impossible to compare purpose impact across companies and sectors. This is due to a lack of standards and guidelines in this area. Some companies disclose their purpose performance in a free-standing ESG or sustainability report, although this does not communicate the centrality of the purpose to the company. It suggests either that the purpose is equated to ESG or that it is not central to the company’s operations.
- The lack of purpose goals, targets, and metrics in company reports is comparable to ESG reporting. Studies show that only 30% of Canadian firms include forward-looking ESG goals and targets in their reports.¹⁶ Whether on ESG or purpose, companies are reluctant to disclose their goals and targets and progress toward them.

DISCLOSURE: Best practice companies disclose their purpose performance against purpose goals, targets, and metrics in their main disclosures, enabling stakeholders to assess their progress.

Case example: HSBC

HSBC’s [Annual Report 2020](#) reports on HSBC’s sustainable finance and investment plan that supports the global transition to a net-zero carbon economy to implement its social purpose of “opening up a world of opportunity.” HSBC discloses the growth in its sustainable finance and investment portfolio since 2017.

¹⁶ See “Exploring the ESG reporting maturity of Canada’s top companies,” PWC, 2021.

5.2.2 Many companies also include social purpose goals and priorities in the corporate strategy.

Strategy and disclosures go hand in hand, so it is not surprising that many companies (n=25 out of 34, 73.5%) include social purpose goals and priorities in the corporate strategy. It is interesting that there are at least five companies whose strategy was not clearly linked to their stated social purpose (or we could not find evidence for it), yet their non-financial disclosures demonstrated a link.¹⁷

The connection found between purpose, culture, and strategy is promising because these need to be fully aligned for effective purpose execution. The purpose sets the tone for the culture and creates the focus for strategy. Not embedding social purpose in the corporate strategy appears to differentiate those who earned platinum or gold from those who earned silver or bronze. Given the centrality of strategy to purpose execution, it is not surprising that if the lower-rated companies integrated their social purpose in their corporate strategy, they would become top social purpose performers.¹⁸

Observations on corporate strategy criteria

- Sometimes details on the purpose strategy are found in an ESG or sustainability report and not an annual report or proxy circular. It is difficult to tell if those goals and targets are on par with the strategic priorities adopted by the board and implemented by management.
- Sometimes companies were implementing only one dimension of their purpose and not other elements.
- Some social purpose companies appear to treat it as the focus of their social impact or community investment program. This suggests that they have more than one purpose – i.e., a profit purpose and a social impact purpose. This is inaccurate and misleading, as there can be only one purpose, if by purpose we mean the pre-eminent reason for a company's existence.
- To be ranked as a high-performing social purpose company, it is necessary to embed the social purpose in the corporate strategy.
- In a few cases, companies went to great length to define their purpose, their purpose-driven business model, and their purpose commitment – however, this did not always translate into purpose goals, targets, and metrics in the company strategy, or strategic priorities. While the commitment appears to be evident, the lack of purpose goals, targets, and metrics is a significant weakness.

STRATEGY: Best practice companies incorporate purpose goals, targets, and metrics in their corporate strategy or balanced scorecard. This is essential for executing on the purpose, and for signalling to internal and external stakeholders the company's purpose priorities and where it hopes to have impact.

¹⁷ A recent study by Deloitte found that 79% of surveyed C-suite leaders said their company has a clear and defined purpose strategy that is integrated with core business strategy, compared to our data that found that while 73.5% of companies were found to have referenced their social purpose in their corporate strategy, only 35.3% could be said to have clearly defined social purpose goals and targets/metrics. The Deloitte study also found that 22% (of the 79%) indicated that their company does not make it a priority to collect and report on purpose-related data, suggesting that purpose is not as well integrated as they believe. This is in line with our findings, where only 14.7% report on social purpose progress with targets and metrics.

¹⁸ Note that we did not study the existence of long-term corporate visions to direct where the company is headed, as we expected these visions would be difficult to find in public disclosures if they existed at all.

Case example: Hemlock Printers

In its corporate strategy, Hemlock Printers identified a core action directly tied to executing on its social purpose “to create connections, build community and inspire actions that safeguard the health of the world’s forests”; the company then developed goals and articulated metrics against which to measure progress against its goals. In doing so, Hemlock’s corporate strategy gives clear direction for execution of its purpose.

Action: Protect the biodiversity and longevity of our ancient and endangered forests; be an active participant in solving this global issue

Medium-term Goal Statements

- In 3 years, we will have a robust reporting structure that delivers key insights of the forest fibres used in our paper.
- In 3 years, we will have established the ZERO 2.0 industry program with an NGO partner that can facilitate the program’s implementation to scale offsets that will safeguard our forests.
- In 2 years, Hemlock will achieve 50% of our orders being carbon neutral, with offsets going directly to forest conservation.
- In 5 years, 100% of our orders will be carbon neutral, with offsets going directly toward an expanded range of forest conservation projects.

Metrics

- Paper attributes: % FSC, % PCW, % of shipping packaging with FSC, dollar value, weight
- % of papers that may be at risk of sourcing from high-conservation-value forests
- Types/number of species at risk associated with our supply chain
- % of mills/merchants that are “activated” in supporting our social purpose and purchasing purpose-driven products
- % of papers that have been audited and fibre tracked
- # of forest conservation projects our offsets support

Case Example: Unilever

Unilever’s [business strategy](#) (p.8) has five strategic actions, three of which are focused on its purpose “to make sustainable living commonplace”:

- Develop our portfolio into high-growth spaces, such as plant-based foods
- Win with our brands as a force for good, powered by purpose and innovation, such as improve people’s health, confidence, and well-being
- Build a purpose-led, future-fit organization and growth culture, such as be a beacon for values-based leadership

5.2.3 Companies lag in two central areas: board oversight and CEO role.

Having a stated and explicit responsibility for execution on the company’s stated social purpose in the CEO role description (n=12/34, 35.3%) and oversight for execution of the stated social purpose in the board mandate (n=12/32, 37.6%) are the two criteria that the least number of companies in the sample were able to demonstrate.¹⁹ It may be the case that boards are providing oversight of purpose execution and that CEOs are delivering on it, but this is not formalized. Most importantly, boards need to have oversight of purpose implementation, and there is a risk this is not happening if it is not formalized in their terms of reference.

It is interesting to observe that among the criteria, these were the only two evidenced by a formal role description and that in both cases these practices are weak. This is a relatively easy gap to fill, albeit the consequences of doing so will be significant for the company, affecting corporate strategy,

¹⁹ The Deloitte report also finds that most of the C-suite leaders (70%) in their study indicated that their role is highly impacted by their company’s purpose priorities, but only a third said that their compensation is tied to their performance against those priorities. This link to executive compensation should be stronger to drive accountability. While our findings are that only 35.3% of CEOs have an explicitly stated responsibility for execution on social purpose in their job descriptions, many declared this responsibility in other places, like their bios on their websites or in published articles. While these were not sufficient forms of evidence for our study, it does suggest that CEOs see themselves as having this responsibility, but it is not yet translating into a formal responsibility. Our findings on purpose pay link were similar, with about 21.2% of companies including social purpose pay link tied to specific objectives and targets/metrics, and a further 18.2% including a social purpose pay link but with less well-defined objectives and targets/metrics.

incentives, capital allocation, risk management, stakeholder relationships, succession planning, talent management, CEO recruitment, board evaluations, and competencies, et cetera.²⁰

This purpose practice reflects the conflation with ESG, where many companies offered examples of board committees having responsibility for oversight of execution on their social purpose, but it was often their sustainability or CSR committee and not in scope for this review. The rating is focused on the overall board's responsibility, not something delegated to a committee. It would be expected that the full board would have full responsibility for purpose oversight given it is the reason the company exists. We found that most board charters referred to the board having oversight of the company's strategy, financial performance, and risks, but not their purpose.

While most public companies disclose their board terms of reference, there is inconsistency in disclosure on the CEO's role profile. We were largely unable to access the CEO role profile in our company assessments, so many companies were ranked 0 on this measure due to the information being unavailable for review. All the private companies provided evidence that the CEO's role profile explicitly included purpose execution. This was the case for only four public companies.

Some of the formal expressions of purpose in CEO and board mandates were limited to one aspect of purpose, such as aligning purpose to culture or to demonstrating purpose values – but did not go so far as to convey a responsibility for overall and holistic purpose execution.

The International Standards Organization (ISO) has recently developed guidance on corporate governance (ISO 37000²¹) that centres purpose as a core governance responsibility. It is expected that the coming years will see greater formalization of board governance of corporate purpose, resulting in improved purpose execution overall.

Observations on CEO role criteria

- It appears that CEO role profiles have not been updated since companies adopted a social purpose. According to the profiles we reviewed, CEO roles of public companies are focused on executing the strategy, but not necessarily on executing the purpose. There is a risk that if the CEO role profiles are not updated, then the organization's strategy and human capital and risk management programs do not reflect the company's purpose ambitions. Equally, the CEO is less likely to have purpose-related performance objectives, resulting in purpose underperformance.

Why do boards and CEOs need to have explicit purpose responsibility?

The criteria required there to be an explicit statement of responsibility for oversight (boards) and executing (CEOs) on purpose. Strategies change frequently, annually even for some companies, but purpose has longevity. As we have seen in this report, purpose is not always well (or even at all) integrated into strategy. The inclusion of a formal responsibility for oversight and executing on purpose would, we argue in this report, result in more and better execution across all these criteria.

²⁰ See the [Purpose Governance Framework](#) for more details.

²¹ [ISO 37000: Governance of Organizations – Guidance](#), 2021.

- While speculative, it is possible to conclude that the CEOs of private companies are more engaged in purpose execution, as the top spokesperson and champion of the company's purpose. Companies that have not defined a purpose role for the CEO run the risk that purpose is not championed and actioned in the company. At a time when stakeholders are looking for CEOs to take a public stand on societal issues aligned to their corporate purpose, it appears that formal roles in public companies have not kept up.

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

Case examples: BCLC and HSBC

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

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

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

Observations on board mandate criteria

- Some boards have formal oversight over cultural alignment to the purpose, but not to execution of the purpose.
- If purpose oversight is not clearly and formally expressed in the board's terms of reference, charter, or roles and responsibilities, there is a significant risk that the board is not executing its responsibility to ensure the company is implementing its purpose. To fulfill their duty to the corporation, it is necessary for directors to understand the purpose of the corporation. The evidence suggests this is not a strong practice of boards.
- While it appears that many boards have oversight of ESG and even delegated this responsibility to committees in many cases, this is not oversight of the corporate purpose and is a governance gap.
- The possibility exists that in practice, boards are overseeing the company purpose; however, by not formally including it in the board charter, the board may not be including purpose in its other governance roles, such as CEO recruitment and performance management, succession planning, human capital management, executive compensation, board recruitment, board evaluations, board education, and risk management.

BOARD ROLE: Best practice companies have a clear and distinct role for the board in providing oversight of purpose execution. This is formalized in the board's roles and responsibilities in its charter or terms of reference.

Case example: Assiniboine Credit Union

Assiniboine Credit Union's terms of reference for its board of directors demonstrate the board's responsibility for oversight of the organization's purpose, which ACU refers to as its mission. ACU's social purpose is to **"provide financial services for the wellbeing and resilience of our members, employees, communities, and environment."** The following responsibility is listed first under the board's duty to "develop, guide and oversee ACU's business model, strategic planning process and the strategic plan." The Board has the responsibility to: **"Develop and approve the mission [purpose], vision, values and values-based business model of ACU and ensure they are fully lived out throughout the organization."**

5.2.4 In the middle fell execution on purpose-driven pay and performance objectives for the CEO and for the executive team, with well over a third of companies scoring 0 on this criterion.

Linking social purpose to short-term incentive plans (e.g., bonusable targets) and annual performance objectives are practices that go together. Presumably, if the company includes social purpose in its executive performance incentives, it would follow that executives would have purpose deliverables and vice versa. Companies that score well on one of these criteria thus tend to score well on the other.

This area of practice was rife with complexities. Sometimes the performance goals and incentive plans were strongly connected, and other times they were weak and had to be inferred. Sometimes companies referred us to their ESG or sustainability reports to find the information we were looking for, which reduced our confidence in the purpose-related dimension. Given this vagueness, this was one area of the evaluation that was the most subjective. Companies, particularly the public companies, did not draw a direct line from their purpose to their incentives to their executive performance objectives. If a company is a fully purpose-driven company, the opposite would be expected.

Boards that align pay programs to support the company's purpose are more likely to see their executives make the necessary investments.²² We intentionally did not study long-term incentives, however, which are typically three years, because as experience with ESG incentives demonstrates,²³ inclusion of societal targets in long-term plans is rare. In the future we expect boards will adopt long-term (three years or more) purpose pay incentives focused on a few enduring purpose-driven outcomes to promote long-term thinking and impact. Given that purpose transformation is a multi-year process, and societal impacts can take longer still, longer-term incentives are likely to predominate in purpose-driven firms in future.

Observations on social purpose incentive pay link criteria

- Companies that scored high on incentives have clear purpose performance objectives for all their executives. This was rare.
- As incentives flow from the corporate strategy, given the lack of companies that explicitly included purpose in their corporate strategies, it is not surprising this was a lagging practice area.
- As more and more companies embed purpose in their strategy along with goals, targets, and metrics, it is expected that companies will eventually include purpose in their incentive packages.
- Companies are only recently including ESG metrics in their short-term incentive plans, so as companies become familiar and comfortable with those practices, it is expected this will accelerate purpose pay links.
- While progress is expected to be slow in this area, companies are encouraged to expedite the process to develop purpose metrics and include them in their incentive plans. This is a central route to signalling to the workforce the importance of purpose and to get progress on it. As long as the metrics are financial or operational, the board signals that purpose is a lesser priority, if a priority at all.

INCENTIVES: Best practice companies include purpose metrics in their incentive plans alongside, and at least on par with, financial and other operational metrics, to incentivize purpose performance on the part of their executives and workforce.

²² See for example ["Let Your Mission Guide your Executive Pay,"](#) 2021.

²³ See ["Meridian Study on Use of ESG Metrics in Incentive Plans,"](#) 2021.

Case example: Modo

Modo has a "Purpose Bonus." The amount of the bonus pool that is distributed to executives (and all employees) is dependent on the degree to which its purpose KPIs have been achieved. (NB: the co-op must be profitable before any bonus is payable.) Modo's purpose is "to transform communities by connecting people with places in a way that's affordable, convenient, inclusive and sustainable."

Case example: Maple Leaf Foods

Maple Leaf's [2021 management proxy circular](#) includes growth of its plant protein group, a key component of the company's purpose execution ("to raise the good in food"), as one of only two non-financial performance measures in the 2020 short-term incentive plan, weighted at 10%.

Observations on social purpose linked performance objectives for the CEO criteria

- This performance criterion was more clear-cut than most. Typically, companies scored 0 or 2 on this item, meaning that either the CEO's performance objectives included at least one distinct purpose deliverable, or they didn't. This is a strong finding, as it suggests that once companies commit to becoming purpose-driven, they include clear purpose deliverables in the CEO's annual performance objectives.
- Through discussion it became apparent that many companies equate performance metrics in the incentive plan as CEO performance objectives, when these are related but separate practices. To achieve a score of 1 or more on this criterion, it was necessary to have explicit annual objectives for the CEO beyond achieving the performance metrics in the corporate scorecard.

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

Case example: Co-operators

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

Case example: Algonquin Power & Utilities Corp.

Algonquin Power & Utilities Corp. lists its CEO's achievements in its [2021 annual circular](#), including "The acquisition of Ascendant [a social purpose renewable energy company*] and ESSAL [a water utilities company] were completed," supporting Algonquin's social purpose of "sustaining energy and water for life." (NB: We considered the CEO's disclosed performance achievements as evidence of their performance objectives for public companies.) *See: "Our purpose is to better the lives of customers and communities and to provide sustainable energy. As we join forces with Algonquin/Liberty in the fight against the world's looming climate crisis, it is time for us to unite around one strong brand that represents our leadership in building a sustainable future." <https://liberty.bm/>

Observations on social purpose linked performance objectives for the executive team criteria

- About one-third of companies require all their executive team to have explicit purpose deliverables, while one-third designate only one or two executives to deliver on the purpose. A final one-third don't appear to have any purpose objectives for any of their executive team members. Setting purpose goals for executives is a key route by which the purpose will be implemented. Expecting this of only some executives runs the risk that purpose becomes siloed in the company and not implemented across the organization.
- As was the case with CEO performance objectives, through discussion it became apparent that some of the companies who scored 0 on this criterion equate performance metrics in the incentive plan to executive performance objectives when these are related but separate practices. To achieve a score of 1 or more on this criterion, it was necessary to have explicit annual objectives for the executive team members beyond achieving the performance metrics in the corporate scorecard.

EXECUTIVE OBJECTIVES: Best practice companies that seek to be fully purpose-driven expect all their executives to have at least one purpose performance objective.

Case example: Chandos Construction

In 2021, three Chandos Construction executives (not counting the CEO) had specific annual performance objectives to ensure the company delivered on its purpose of "building a better world":

"Head of Marketing and Communications:

- Create an industry-focused community called Building Good to advance our purpose beyond our company and across the entire industry
- Develop and execute a social procurement campaign to educate our partners and customers

VP Innovation:

- Execute social procurement research

Head of Virtual Design and Construction:

- Publish a BIM (business information modeling) carbon reduction case study"

Case example: Fortis

Fortis's purpose is "delivering a cleaner energy future." As reported in its annual 2021 [proxy circular](#), three executives had individual performance objectives that supported the purpose (reported as annual achievements, p.72), as follows:

"COO: ... instrumental in the continued progression of our clean energy strategy including the electrification strategies at key subsidiaries ... [and was] key in the development of our corporate-wide GHG reduction target of 75% by 2035 ..."

CTO: ... initiated the development of a framework for the adoption of electric vehicles [and acted as] a board council member of Energy Impact Partners..."

Sustainability & CHRO: was key in the development and communication of our corporate-wide GHG reduction target ..."

5.2.5 The gateway indicators for effective, authentic, and impactful purpose execution are embedment in strategy and incentives.

This analysis reveals that there are two “gateway” indicators that reveal and unlock effective, authentic, and impactful purpose results: integration of social purpose into 1) the company strategy and 2) its compensation incentives. Companies that set goals, targets, and metrics to implement the purpose in the company strategy, scorecard, business plan, or strategic priorities will set the course for purpose impact and results. Equally, companies that incentivize executives and the workforce to implement their purpose priorities will provide employees the line of sight to the company purpose and behaviours to achieve it. While the ranked companies are adopting purpose strategies, they are less likely to incentivize purpose performance and investments. Purpose-driven pay is in its early days, and greater experimentation and alignment is expected in the years ahead.

Best practice companies adopt three-year or longer purpose performance objectives and incentives, enabling agile responses to short-term imperatives, while leaders and employees focus on a few enduring and longer-term purpose-driven outcomes.

For more on purpose-driven executive pay see: [Let Your Mission Guide Your Executive Pay](#), 2021

6. Company Rating – Platinum, Gold, Silver, Bronze



Section 5 above provides general findings related to company performance against each criterion making up this rating system. In this section, we look at the rating results of the companies in the sample.

Companies were given an overall score and divided into four groups – platinum, gold, silver, bronze – to establish a score-based rating. We selected these grouping names to reflect that all the companies in this study were, in fact, already ahead of the pack (see sections 3.1 and 5.1). As such, this is an exercise in differentiating among the current practice leaders, so while bronze represents the lowest scores among this sample, it is still a podium position. We also differentiated the companies by whether they were publicly traded or not. So we have divided the findings into two categories: public and private. The private category includes family owner-operated and founder companies, co-operatives, and one crown corporation.

Summary of findings:

- Companies are evenly split across four levels from platinum to bronze.
- There are clear differences between companies at each of the four rating levels, which also reflect differences between public companies and private companies.
 - Companies in the platinum quartile were more likely to have achieved a score of 1 or more on each of the criteria, meaning they were executing on their social purpose in multiple ways.
 - Private companies were far more likely to be in the platinum group, and public companies in the bronze group.
 - Public companies still did well, with eight out of 23 landing in the gold quartile, seven in silver and eight in bronze.
 - Private companies fall down when it comes to disclosures, but public companies have an edge here.

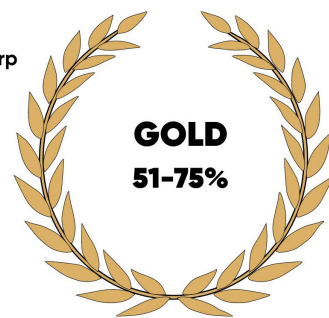
COMPANY RATING RESULTS



PLATINUM
76-100%

Assiniboine Credit Union*
BCLC (British Columbia
Lottery Corporation)*
Chandos Construction*
Coast Capital Savings*
Co-operators*
Hemlock Printers Ltd*
LGM*
Modo*

Algonquin Power & Utilities Corp
BASF Canada
Fortis Inc
HSBC Bank Canada
Libro Credit Union*
Maple Leaf Foods
Microsoft
TELUS Corporation
Unilever



GOLD
51-75%



SILVER
26-50%

Bank of Montreal
BlackRock
Desjardins*
GE
Nutrien Ltd
SAP
SNC-Lavalin Group Inc
Toronto-Dominion Bank
Traction on Demand*

Cascades Inc
Fining
High Liner Foods
Lululemon
McDonald's
RBC
Stantec Inc
Starbucks Coffee



BRONZE
1-25%

*Private companies, including co-operators and crown corporations.

6.1 Companies are evenly split across four levels from platinum to bronze.

By grouping the companies by overall score, not only do we provide a rating system, but additional important insights can be derived to build on the findings reported in section 5.

The 34 companies included in this study are fairly evenly split into four quartiles. Eight companies were categorized as platinum, nine as gold, eight as silver, and nine as bronze. This was a welcome surprise. Given that social purpose is an emergent concept and practice in Canada, we expected to see the largest group at the bronze level and a steadily decreasing number of companies at the silver and gold levels, with less than a handful at the platinum level.

This distribution of companies tells us two things. First, the criteria and scoring rubric devised for this study offers sufficient granularity to differentiate practices among companies of different kinds (e.g., large and small, private and public). Second, there is, indeed, a spectrum of practice that provides further evidence that the social purpose transition pathway outlined in section 3 is in operation.

"The spectrum of practice provides evidence that the the social purpose transition pathway is in operation."

6.2 There are clear differences between companies at each of the four rating levels, which also reflect differences between public companies and private companies.

TABLE 2: DISTRIBUTION OF COMPANIES BY RATING CATEGORY AND CRITERIA

	SCORE	CULTURE	STRATEGY	INCENTIVES (SOCIAL PURPOSE PAY LINK)	PERFORMANCE OBJECTIVES: CEO	PERFORMANCE OBJECTIVES: EXECS	CEO ROLE	BOARD OVERSIGHT	DISCLOSURE
PLATINUM	% SCORED 0	0.0	0.0	0.0	0.0	12.5	0.0	16.7	0.0
	% SCORED 1	12.5	0.0	0.0	0.0	12.5	0.0	0.0	87.5
	% SCORED 2	87.5	12.5	42.9	100.00	75.0	100.0	83.3	12.5
	% SCORED 3	N/A	87.5	42.9	N/A	N/A	N/A	N/A	0.0
	% TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
GOLD	% SCORED 0	22.2	0.0	22.2	44.4	22.2	77.8	66.7	0.0
	% SCORED 1	0.0	11.1	11.1	0.0	44.4	0.0	33.3	11.1
	% SCORED 2	77.8	33.3	22.2	55.6	33.3	22.2	0.0	33.3
	% SCORED 3	N/A	55.6	44.4	N/A	N/A	N/A	N/A	55.6
	% TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SILVER	% SCORED 0	0.0	44.4	44.4	44.4	33.3	77.8	66.7	11.1
	% SCORED 1	22.2	33.3	44.4	33.3	55.6	0.0	22.2	33.3
	% SCORED 2	77.8	22.2	11.1	22.2	11.1	22.2	11.1	55.6
	% SCORED 3	N/A	0.0	0.0	N/A	N/A	N/A	N/A	0.0
	% TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
BRONZE	% SCORED 0	12.5	62.5	100.0	75.0	75.0	100.0	87.5	37.5
	% SCORED 1	37.5	37.5	0.0	25.0	25.0	0.0	12.5	62.5
	% SCORED 2	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	% SCORED 3	N/A	0.0	0.0	N/A	N/A	N/A	N/A	0.0
	% TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0



TABLE 3: DISTRIBUTION COMPANIES BY TYPE (PRIVATE OR PUBLIC) AND CRITERIA

	SCORE	CULTURE	STRATEGY	INCENTIVES (SOCIAL PURPOSE PAY LINK)	PERFORMANCE OBJECTIVES: CEO	PERFORMANCE OBJECTIVES: EXECS	CEO ROLE	BOARD OVERSIGHT	DISCLOSURE
PRIVATE	% SCORED 0	0.0	9.1	30.0	9.1	18.2	0.0	22.2	9.1
	% SCORED 1	9.1	9.1	10.0	9.1	27.3	0.0	22.2	72.7
	% SCORED 2	90.9	18.2	30.0	81.8	54.5	100.0	55.6	18.2
	% SCORED 3	N/A	63.6	30.0	N/A	N/A	N/A	N/A	0.0
	% TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
PUBLIC	% SCORED 0	13.0	34.8	47.8	56.5	43.5	95.7	78.3	13.0
	% SCORED 1	21.7	26.1	21.7	17.4	39.1	0.0	17.4	34.8
	% SCORED 2	65.2	17.4	13.0	26.1	17.4	4.3	4.3	30.4
	% SCORED 3	N/A	21.7	17.4	N/A	N/A	N/A	N/A	21.7
	% TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

6.2.1 Companies in the platinum quartile were more likely to have achieved a score of 1 or more on each of the criteria, meaning they were executing on their social purpose in multiple ways.

There was a clear gradient of both number of criteria that received a score above 0 and the value of the score (e.g., 1, 2, or 3) by quartile, where those in the platinum level were much more likely to have achieved a score on every criterion and to have achieved a score higher than 1. This suggests that these companies are taking action across the board, i.e., they don't just do one thing at a time and progress step by step but rather they do many and progress along multiple fronts at multiple levels at the same time.

6.2.2 Private companies were far more likely to be in the platinum group, and public companies in the bronze group.

Only private companies made it into the platinum group, but not all private companies made it into that group; some were found at the gold and silver levels as well. There were no private companies in the bronze group.

When comparing private companies to public companies, the reason for this becomes clear: private companies execute on multiple criteria and seem to do so with greater success than public companies. The majority of the private companies in the study scored top marks on six of the eight criteria, whereas the majority of public companies scored top marks on only one of the eight criteria. Interestingly, other Corporate Knights ratings find that private companies are better performers on ESG measures; whatever lies behind that may be at play as well when it comes to purpose.

“Platinum companies are taking action across the board.”

Possible explanations for these differences in scores include:

- Most of the private companies in our sample were considerably smaller than the public companies. Smaller companies can be nimbler, and are therefore able to upgrade their strategy and make execution of their stated social purpose a top priority more quickly than larger companies.
- Many of the private companies in our sample had undergone training and development work related to social purpose through United Way Social Purpose Institute programs.²⁴ These companies (BCLC, Chandos Construction, Coast Capital, Hemlock Printers, LGM, Modo, Traction on Demand) mostly score higher on the rating system. This shows a dedication to ensuring they are authentically implementing their social purpose and are receiving guidance on how to go about it.
- Five of the higher-ranking companies are certified B Corporations²⁵ demonstrating a commitment to “being a force for good”: Chandos Construction, Coast Capital, Traction on Demand, Assiniboine Credit Union, and Libro Credit Union. None of the public companies we studied are B Corporations.
- Six of the higher-ranking companies are co-operatives (Coast Capital, Modo, Co-operators, Assiniboine Credit Union, Libro Credit Union, and Desjardins). Co-operatives have a long history of embedding social purpose at the core of their business, and so have longer experience at execution and the move to apply the contemporary and emerging concept of social purpose was a natural evolution.

In direct contrast to the platinum group of companies, only public companies fell into the bronze category. Notably, five of those eight companies did not engage with this study during the validation stage. As we saw earlier, companies that engaged were reassessed and saw increases to some of their scores in all but one case. It is, therefore, not surprising that the group of companies in bronze had lower scores across the criteria and overall. Given this, it is possible that the bronze companies had better practices in place than their rating would suggest, but we are unable to conjecture.

6.2.3 Public companies still did well, with eight out of 23 landing in the gold quartile, seven in silver, and eight in bronze.

It appears that practice and execution vary by level, with more companies in the bronze group receiving scores of 0 on more criteria than those in silver, and likewise when comparing those in silver to those in gold. In other words, there is a clear gradient, which suggests that there is lots of room for public companies to identify specific actions that would lead to improved scores, and ultimately improved practice and impact.

More specifically, getting to platinum for public companies will require them to execute on more fronts at once, with some quick (but critically important) wins to be had by embedding responsibility for oversight of social purpose in their board mandates, and ensuring a clear and explicit responsibility for execution on social purpose in their CEOs’ formal role descriptions.

“...getting to platinum for public companies will require them to execute on more fronts at once...”

6.2.4 Private companies fall down when it comes to disclosures, but public companies have an edge here.

While almost all of the private companies scored top marks on most of the eight criteria, none of them scored the top mark of 3 when it came to disclosures. Indeed, the vast majority scored only 1. Public companies, on the other hand, fare better, with over half scoring 2 or more on disclosures. This reflects the greater experience that public companies have with both regulated and ESG disclosures compared to private companies, discussed in section 5.2.1.

²⁴ See: [United Way Social Purpose Institute services](#).

²⁵ See: [BCorporation](#).

Corporate Knights is familiar with several of the rated companies, and from that perspective we believe that while some companies function as purpose-driven companies, they have not formalized this in their governance and management. As a result, this is not picked up in the rating. In fact, there may be purpose-driven activity, but we haven't defined a metric to measure it, or it may be present, but they didn't engage with us, and we missed it.

Our overall sense was that many companies were steering blind on the formula to effectively execute on their purpose. Unearthing the practices to reveal their approach to execution was a challenge. We had to sort that out because many companies hadn't sorted this out themselves. The ambiguity we faced was due to the lack of clarity and a clear logic path for companies executing on their purpose. But the social purpose game has begun, and to authentically deliver on their purpose, companies need to figure this out, as do those who hold them accountable.

"... many companies were steering blind on the formula to effectively execute on their purpose."

7. Recommendations



We have just scratched the surface of the social purpose company with this rating. We believe we have uncovered a social purpose transition pathway and a purpose governance formula that authentic purpose companies can follow. Our research has revealed important building blocks to foster and accelerate credible and impactful results from social purpose companies, set out below.

Continuous improvement – To improve their rankings:

- Private companies should focus on disclosure of progress on their purpose
- Public companies should focus on formalizing their approach to implementation of their purpose and pursue holistic implementation
- All companies should differentiate between ESG and purpose, as they serve different functions in a firm

Transparency and accountability – To foster transparency and accountability on purpose:

- Create auditing, assurance, and accounting standards for reporting on purpose impacts and claims
- Create a third-party certification standard to authenticate purpose implementation and claims²⁶

Governance and implementation – To foster improved purpose governance²⁷ and execution:

- Provide director and board education on purpose oversight and the role of the board in overseeing purpose execution
- Create how-to guidelines for implementing a social purpose
- Create guidance on how purpose differs from ESG and CSR
- Increase knowledge of purpose in business via business school, executive, and professional education²⁸

²⁶ The practices in this [Social Purpose Assessment Tool](#) can be the basis of a future certification program.

²⁷ See: “[Shaking Up Boardrooms and Society: The World’s First Purpose Governance Playbook](#),” 2021.

²⁸ For the current state of social purpose education in Canadian business schools see “[Purpose Education in Canadian Business Schools](#),” 2021.

Capital markets – To improve capital market efficiency around purpose:

- Require companies to disclose their purpose and progress on it to investors
- Create purpose accounting and certification standards
- Engage investors on the opportunities of investing in authentic purpose companies, to finance their ability to grow and scale their societal impact and benefit from their financial outperformance over the long-term
- Encourage investment companies to adopt a social purpose as the reason they exist

We encourage readers to pursue these game plans to accelerate the authentic and impactful implementation of social purpose in business.

Recommendations on the role of government to foster authentic and impactful social purpose governance and execution:

- **Support** the creation of standards for purpose auditing, accounting, assurance, and reporting
- **Support** the creation of a certification standard to authenticate purpose implementation and claims
- **Require** large companies to state and disclose their purpose and progress on it
- **Amend** the fiduciary duty of corporate directors to act with a view to the best interests of the corporation aligned with the corporation's purpose

For these and other policy measures governments can pursue to accelerate social purpose in business, see: [Promoting Purpose in Canadian Public Policy: Options for Governments in Canada to Accelerate Social Purpose in Business](#)

7.1 Future areas of study

We have captured only the tip of the social purpose iceberg with our investigation. There are more questions than answers so far. Here are a few areas for further study that we hope others will pick up.

- **Company size:** What are the differences between large corporations and small and medium-sized enterprises in their approach to purpose implementation?
- **Sector and jurisdictional differences:** What are sector and jurisdictional differences in purpose implementation?
- **Purpose impact:** What is the degree and nature of the societal impacts generated by social purpose firms?
- **Longitudinal research:** How do high-purpose versus low-purpose firms compare financially over time?
- **ESG and CSR:** How do high social purpose firms align their social purpose to their ESG commitments? What is the nature and quality of ESG and CSR in social purpose firms?
- **Collaboration:** How do social purpose firms collaborate with stakeholders to realize their social purpose?
- **Strategy timeline:** What is the optimal strategy timeline of social purpose companies: one, three, or more years?
- **Social Purpose Rating 2.0:** How do these 34 companies progress in the next two to three years?
- **Start-ups and social enterprises:** How do start-ups and non-profit social enterprises compare to the social purpose companies in this rating?

Conclusion



From our research we conclude that most companies with a stated social purpose, as defined in this study, are executing on their purpose, some more than others, and that private companies have stronger practices than public companies. We further conclude that the gateway indicators for social purpose companies are the degree to which their purpose is embedded both in their corporate strategy and in performance incentives.

Our scorecard shines a light on the central role that company boards play in progressing social purpose in companies: they influence all of the critical social purpose practices. Our findings point to a significant governance gap and the need for more board education on purpose governance. The governance gap was spotlighted by the low governance scores, which show that boards need to do more to set the tone at the top. We are confident that leaders will step up to the plate to address these visible shortcomings.

The purpose governance playbook revealed by this investigation sets the rules of the game. We are in the early innings of purpose and the bases are loaded.

**“We are in the early innings
of purpose and the bases
are loaded.”**

Appendix A – Methodology

Selecting the companies

To select the companies for potential inclusion in this study, we compiled companies that were listed on the TX60 or were rated as among Corporate Knights' [Best 50 Corporate Citizens in Canada](#) in 2021, all of which are public companies. In addition, we selected Canadian companies or companies headquartered outside of Canada but with a significant presence in Canada that are commonly perceived as purpose-driven from a research database compiled by one of the authors based on previous research. Finally, we invited a small number of private companies known to the research partners to be self-declared social purpose companies.

Out of a source universe of 197 companies, 34 met the inclusion criteria of having social purpose statements that go beyond value creation for shareholders and customers to expressly focus on creating value for society more broadly. We did not assess the quality of the social purpose statements; we only checked to ensure they included a societal dimension. For more details on the inclusion criterion, see Appendix B.

SCORE	PRIVATE COMPANIES, CO-OPERATIVES, CROWN CORPS	PUBLIC COMPANIES HQ IN CANADA	PUBLIC COMPANIES HQ OUTSIDE CANADA	TOTAL
Met inclusion criteria	11	14	9	34
Did not meet inclusion criteria	12*	85	66	163
TOTAL	23	99	75	197

*In the case of private companies, all those invited to participate met the inclusion initial criteria but 12 of the 23 chose not to participate for various reasons. Unlike with public companies, it was not possible to include private companies in the study unless they chose to participate and provide us with the necessary documents to conduct the assessment because those documents are not usually in the public domain.

Developing the criteria and scoring rubric

The criteria were developed and defined based on research on the concept and practice of social purpose among companies and reflecting 20 years of experience in developing robust and effective rating systems.

The scoring rubric was developed and refined by conducting initial assessments of a handful of public and private companies. Two research analysts conducted assessments of the same companies, and the rubric was refined through discussion among the project team. Once the rubric was finalized, the test companies were assessed again, along with the remaining companies.

Assessing the companies

The process of assessing the companies was slightly different for private companies compared to public companies. Assessing private companies required an extra step of inviting them to participate and to supply their information to be assessed because the kind of information required to conduct the assessment is generally not publicly available on private companies. Public companies were also given the chance to submit additional information at the validation stage to level the playing field between the two company types. The full process for each is set out below:

ASSESSMENT PROCESS

Public Companies

- 1) Initial assessment was conducted by two Corporate Knights analysts using publicly available reports and data, including:
 - a) Website and annual report to confirm stated social purpose
 - b) Website to verify corporate values
 - c) Formal reporting documentation covering the 2020 business results including annual report, proxy/information/management circular, annual information form for:
 - i) Corporate strategy – Searched for and accepted corporate strategies, scorecards and listed strategic priorities
 - ii) Incentive plans – Short-term incentive plans (STIPs) were analyzed for purpose-related incentives. Supplementary docs (e.g., full detailed incentive plans) were reviewed only if they were referenced in the main reports consulted for this item
 - iii) CEO and executive performance objectives – As revealed by descriptions of annual achievements
 - iv) CEO role – Formal role description of the CEO
 - v) Board oversight – Formal reference in the terms of reference for the board of directors
 - vi) Disclosure – Report of progress on their social purpose, including goals, targets, and metrics

Sustainability reports, CSR, and other similar reports were not reviewed as part of this exercise, unless the stated social purpose was expressly related to sustainability and the sustainability report provided additional detail on targets and annual performance metrics for goals that were expressly covered in the main corporate reports noted above. In these cases, because the data could not be found in the main reports, the top mark was not granted.

Supplementary documentation (e.g., fully detailed incentive plans) were accepted for review only if they were referenced in the main corporate reports noted above.

Private Companies

- 1) Companies completed a formal submission with supporting evidence provided, following our defined criteria (but they were not shown the full rubric at this stage). Companies were permitted to share several different documents because as private companies they do not always have the standard reporting documents containing the relevant information that public companies have; they were permitted to point us to their:
 - a) Website and other public-facing documents to verify their stated social purpose
 - b) Corporate values documents (may or may not be public)
 - c) Corporate strategy – Strategic plans, scorecards, annual business plans, strategic priorities for corporate strategy (may or may not be public)
 - d) Incentive plans – Incentive plan documents (may or may not be public)
 - e) CEO and executive performance objectives – Annual objectives setting documents for CEO and executive performance objectives (may or may not be public)
 - f) CEO role – CEO job description (may or may not be public)
 - g) Board oversight – Board mandate document (may or may not be public)
 - h) Disclosure – A range of public-facing reports that functioned as disclosures of progress against their stated social purpose

Public and Private Companies

- 2) Assessed by two research analysts
- 3) Assessments reviewed/quality assured by two senior staff
- 4) Scorecards (with full scoring rubric) shared with companies for validation with opportunity to submit additional evidence
- 5) Email communications and scheduled phone calls with senior project staff to clarify criteria were permitted if requested
- 6) Additional evidence was assessed by two senior staff and score amended where merited
- 7) Companies were informed of amended scores prior to report publication

Appendix B – Criteria Definitions and Scoring Rubric

COMPONENT Criteria Evidence	DEFINITIONS	SCORING RUBRIC
<p>ADOPTS</p> <p>1. Social Purpose Statement Company has a formal, written, and publicly accessible social purpose statement</p> <p>NB: a company's purpose statement may not be called a social purpose statement, which is acceptable for this exercise, but it must express a social purpose for the company to be included in this first pilot of the rating.</p> <p>For companies that are not publicly traded, if the social purpose statement is not publicly accessible, participating companies will be required to confirm that it will be publicly accessible by December 15.</p>	<p>To be considered as a "social purpose" for this rating exercise, a company's purpose must clearly create benefit for the world/broader society. It should demonstrate societal impact beyond customer, product, and shareholder value creation. It follows the definition of a social purpose business used by the Social Purpose Institute at United Way British Columbia.</p> <p>A social purpose can encompass benefits to the environment, people, and communities, or social systems and social infrastructure, among other things. In essence, a social purpose is for the betterment of the world.</p> <p>Social purpose statements usually use a specific phrasing: "We exist to... (verb)."; "Our purpose is to... (verb)..." For this rating exercise, if the verb is missing it is assumed and implied.</p> <p>Sometimes a company calls its purpose "a mission." In these cases, to be considered a purpose statement for this rating exercise, it must be a statement of why the company exists, not what it does or how it does it.</p>	<p><input type="checkbox"/> 1 Yes – Exists A social purpose statement exists, which is publicly accessible</p> <p><input type="checkbox"/> 0 No – None No social purpose statement exists or the social purpose statement is not publicly available</p>
<p>OPERATES</p> <p>2. Culture One or more company values has a clear link to the social purpose</p>	<p>Only values that are clearly linked to the social purpose will be considered for this rating exercise. Generally stated values like integrity or respect are not social purpose values in and of themselves. Please provide a description of the value or the behaviours underlying the value so that we can evaluate the relationship between the value and the purpose.</p>	<p>2 Yes – Strong At least one corporate value is explicitly linked to the stated social purpose</p> <p>1 Yes – Moderate At least one corporate value implies the stated social purpose</p> <p>0 No – No Mention There is no link to the stated social purpose in the company values or the company does not have company values</p>

COMPONENT Criteria Evidence	DEFINITIONS	SCORING RUBRIC
<p>OPERATES</p> <p>3. Strategy Balanced scorecard/corporate strategy/business plan has goals, targets and/or metrics tied to the social purpose</p>	<p>A goal, target, or metric are all acceptable to demonstrate this criterion. Qualitative goals qualify. Quantifiable metrics will be scored higher. Metrics addressing external societal impact will be scored higher because they are more challenging to set and be accountable for. ESG goals, targets, or metrics qualify only if they are directly related to the social purpose. Strategic priorities qualify in the absence of a corporate strategy or balanced scorecard.</p>	<p>3 Yes – Strong The company scorecard/corporate strategy/business plan has one or more social purpose goals and targets/metrics</p> <p>2 Yes – Moderate The company scorecard/corporate strategy/business plan has one or more social purpose goals but no targets/metrics</p> <p>1 Yes – Weak The company scorecard/corporate strategy/business plan mentions social purpose but goals and targets/metrics are lacking</p> <p>0 No – None The company scorecard/corporate strategy/business plan does not reference the social purpose</p>
<p>OPERATES</p> <p>4. Incentives Company executive incentive plan includes social purpose pay link</p>	<p>This must be explicitly stated to be considered as a social purpose pay link. ESG pay links do not qualify unless they directly relate to the social purpose. For public companies only the STIP was studied.</p>	<p>3 Yes – Strong The annual incentive plan for all executives includes social purpose objectives and targets/metrics</p> <p>2 Yes – Moderate The annual incentive plan for a number of (but not all) executives includes social purpose objectives, but not targets/metrics tied to the stated social purpose</p> <p>1 Yes – Weak One executive has social purpose objectives in the incentive plan or there are targets/metrics in the plan related to social purpose but the tie to the stated social purpose is not explicit</p> <p>0 No – No Mention Incentives are not tied to social purpose at all or the company does not have an incentive plan</p> <p>If a company is not allowed to have an incentive plan (e.g., a crown corporation bound by public sector pay rules), they will not be penalized on this measure.</p>

COMPONENT Criteria Evidence	DEFINITIONS	SCORING RUBRIC
<p>OPERATES</p> <p>5. Performance Objectives: CEO annual performance objectives include social purpose deliverables</p>	<p>The objectives/deliverables need to tie directly to the stated social purpose. If it is an ESG metric, it needs to relate to the expressed stated social purpose. For public companies, if objectives are not stated, but the company lists the performance achievements of the previous year, these are counted as performance objectives.</p>	<p>2 Yes – Strong CEO annual performance objectives include one or more clear and distinct social purpose objectives</p> <p>1 Yes – Weak CEO annual performance objectives include a reference to a social purpose objective(s), but it is not clear or distinct</p> <p>0 No – No Mention CEO annual performance objectives do not reference any social purpose objectives or no evidence was provided/publicly available to evaluate</p>
<p>OPERATES</p> <p>6. Performance Objectives: Executive annual performance objectives include social purpose deliverables</p>	<p>The objectives/deliverables need to tie directly to the stated social purpose. If it is an ESG metric, it needs to relate to the expressed social purpose. For public companies, if objectives are not stated but the company lists the performance achievements of the previous year, these are counted as performance objectives.</p>	<p>2 Yes – Strong Most/all of the executives' annual performance objectives include one or more clear and distinct social purpose objectives</p> <p>1 Yes – Moderate Some executives' annual performance objectives include a reference to a social purpose objective(s)</p> <p>0 No – No Mention Executives' annual performance objectives do not reference social purpose objectives or no evidence was provided/publicly available to evaluate</p>
<p>OPERATES</p> <p>7. CEO Role CEO position profile includes social purpose</p>	<p>At least one responsibility area needs to tie directly to social purpose execution. Role profiles typically reference the CEO's responsibility for strategy. As purpose comes before strategy and strategy implements the purpose, the language of purpose must be explicitly used.</p>	<p>2 Yes – Strong The CEO position profile includes at least one responsibility area that is clearly and directly tied to social purpose execution</p> <p>1 Yes – Weak There is a vague reference to social purpose execution within the CEO position profile</p> <p>0 No – No Mention Social purpose is not mentioned in the CEO position profile or the company does not have a CEO position profile or no evidence was provided/publicly available to evaluate</p>

COMPONENT Criteria Evidence	DEFINITIONS	SCORING RUBRIC
<p>GOVERNS</p> <p>8. Board Oversight Board terms of reference/Charter specifies that the board has oversight of social purpose execution</p>	<p>This must be explicitly stated to be counted.</p>	<p>2 Yes – Strong There is a clear, visible statement that the board has explicit oversight of social purpose execution in the board’s terms of reference/charter</p> <p>1 Yes – Weak There is reference to the social purpose in the board terms of reference/charter, but the oversight role is not spelled out or is not given precedence</p> <p>0 No – No Mention The board terms of reference/charter do not include a social purpose oversight role</p> <p>If a private company does not have a board (and they are not required to by law), they will not be penalized on this measure.</p>
<p>GOVERNS</p> <p>9. Disclosures Company disclosures reference the social purpose and progress against it</p>	<p>This must be explicitly stated to be counted. It must be in the current annual report or other regulated filing. Sustainability and public accountability statement reports do not qualify.</p>	<p>3 Yes – Strong Explicit social purpose goals and targets and performance against them are disclosed</p> <p>2 Yes – Moderate Disclosure includes achievements, objectives and plans directly linked to the stated social purpose but goals and targets and performance against them are not included</p> <p>1 Yes – Weak Disclosure references the social purpose and related social purpose activities but it is difficult to assess progress on the social purpose per se.</p> <p>0 No – No Mention Disclosures do not mention the company’s stated social purpose or the company does not make public disclosures related to their social purpose</p> <p>In cases where a company is not required to make public disclosures, for the purpose of this rating, the expectation is that a company with a stated social purpose should voluntarily publicly disclose progress against their social purpose (e.g., on their website).</p>

Appendix C – Resources

Blackrock’s CEO, Larry Fink, has urged companies to adopt and implement a clear societal purpose consistently over the last five years. His letters clearly illuminate the reasons why purpose matters. See Larry Fink’s letters to CEOs, 2018–2022

2018 <https://www.blackrock.com/corporate/investor-relations/2018-larry-fink-ceo-letter>

2019 <https://www.blackrock.com/corporate/investor-relations/2019-larry-fink-ceo-letter>

2020 <https://www.blackrock.com/corporate/investor-relations/2020-larry-fink-ceo-letter>

2021 <https://www.blackrock.com/corporate/investor-relations/2021-larry-fink-ceo-letter>

2022 <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

ISO 37000:2021 – Governance of Organizations – Guidance

<https://www.iso.org/standard/65036.html>

This document provides principles and key aspects of practices to guide governing bodies and governing groups on how to meet their responsibilities so that the organizations they govern can fulfill their purpose.

Definition of a Social Purpose Business

<https://documentcloud.adobe.com/link/track?uri=urn:aaid:scds:US:588c1322-3010-3a78-af7f-82a5f9e11308>

This is an introduction to social purpose business, including what it means and how it differs from vision and mission.

Social Purpose Business Case and Workbook

<https://documentcloud.adobe.com/link/track?uri=urn:aaid:scds:US:5d7f013c-a44c-3104-a111-c528a5435ca7>

<https://socialpurpose.ca/wp-content/uploads/sites/6/2021/08/sp-business-case-toolkit-united-way.pdf>

These reports provide an executive summary and detailed overview of the business benefits of a social purpose.

Social Purpose Case Studies

<https://socialpurpose.ca/case-studies/>

Case studies of three social purpose companies in the early days of implementing their social purpose.

Social Purpose Assessment Tool

<https://socialpurpose.ca/sp-assessment/>

This online tool measures the degree to which the company is implementing its purpose. It assesses 25 practices across seven practice areas.

Purpose Governance Framework: Board Roadmap for Developing and Governing a Corporate Purpose

<https://corostrandberg.com/publication/purpose-governance-framework-your-board-roadmap-for-developing-and-governing-a-corporate-purpose/>

This is a framework to guide boards and governance professionals on best practices in purpose governance and implementation.

Purpose Governance Backgrounders

<https://corostrandberg.com/publication/purpose-governance-the-role-of-the-board-in-developing-and-overseeing-the-purpose-of-the-organization/>

<https://corostrandberg.com/publication/purpose-governance-a-new-role-for-boards/>

Two publications that introduce purpose governance and its importance to organizations.

Purpose Podcasts and Videos

Podcast/video that introduces purpose governance and the board's role in purpose oversight

- Podcast: <https://podcasts.apple.com/gd/podcast/introduction-to-purpose-governance-what-boards-and/id1565814676?i=1000542494168>
- Video: <https://corostrandberg.com/resources/events-presentations/>
- Podcast that introduces social purpose in business and the role of investors in financing social purpose business:
https://open.spotify.com/show/0GaFXN1HDeJlLAbv0pc7F?go=1&sp_cid=7d91da2f-ead-4b1e-955c-cd2cfcbe0a32&utm_source=embed_player_p&utm_medium=desktop&nd=1

Shaking Up Boardrooms and Society: The World's First Governance Playbook

<https://sustainablebrands.com/read/organizational-change/shaking-up-boardrooms-and-society-the-world-s-first-purpose-governance-playbook>

Article at Sustainable Brands

A New Framework for Executive Compensation

<https://hbr.org/2020/02/a-new-framework-for-executive-compensation>

Article at Harvard Business Review

Let your Mission Guide your Executive Pay

<https://corpgov.law.harvard.edu/2021/08/16/let-your-mission-guide-your-executive-pay/>

Article at Harvard Business Review

Canadian Social Purpose Newsletters

To keep abreast of the social purpose movement in Canada, sign up to these newsletters:

[Business for Purpose Network](#)

[United Way Social Purpose Institute](#)

The Business for Purpose Network (B4PN) is a coalition of leaders from the private, non-profit, academic, and public sectors whose mission is to help Canadian businesses shift beyond traditional corporate social responsibility (CSR) to focusing on societal purpose as their reason for being. Founded in 2018 by MaRS and the McConnell Foundation, B4PN believes that meaningful change requires all sectors to work together to tackle our most pressing social and environmental challenges. It sees the potential of Canadian business to lead in the shift toward a purpose-based economy, taking responsibility to help overcome society's most pressing social and environmental challenges. To learn more about the B4PN and sign up for its newsletter, visit its [landing page](#).