



Purpose Governance Framework:

Your Board Roadmap for Developing and
Governing a Corporate Purpose
V.1.0

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In collaboration with the Social Purpose Institute at United Way

Introduction

A board of directors is responsible for ensuring the corporation pursues and fulfills its Purpose. Having a clearly articulated Purpose enables long-term strategic planning. Boards need to ensure the company's Purpose remains relevant and future-fit, and that it drives strategy and decision-making. They need evidence the company is executing on its Purpose. The Purpose provides the North Star against which the board stress-tests key management decisions that could undermine the Purpose or generate sub-optimal results, or alternatively foster the greatest alignment with the corporate Purpose.

The Framework provides an overview of the steps boards and governance professionals can follow in developing and governing a corporate Purpose – and in ensuring its consistent, effective, and authentic execution [1]. While written from the perspective of corporate directors, CEOs and management have a central role to play and as such the roadmap is also a guideline for executive teams.

The Framework uses the language of “social purpose” to reflect marketplace trends toward companies adopting purposes that create benefit not only for shareholders and customers, but broader society. It follows the [definition of a social purpose business](#) used by the Social Purpose Institute at United Way. A social purpose business has a societal reason for existing and acting, as distinct from other types of purposes which are profit purpose, customer purpose or product purpose.

The following tool is an “all-in” set of ideas for the role of the board designed for those seeking a comprehensive overview of potential practices. Boards, management, and governance professionals are encouraged to prioritize the practices most relevant to them at their stage of the purpose journey.

About the Framework

The Purpose Governance Framework was developed by Coro Strandberg, President of Strandberg Consulting, and co-founder of the Social Purpose Institute at United Way. She is a Faculty Member, GPC.D at Governance Professionals of Canada.

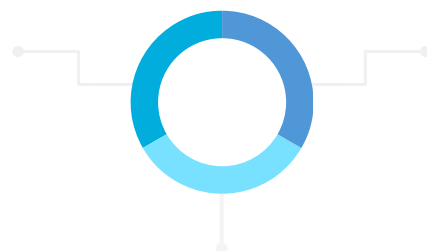
www.corostrandberg.com

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www.socialpurpose.ca

What governance professionals say about the Purpose Governance Framework

“This is totally lining up with everything we’ve been living through; I agree with what’s in here.”



“This is the most thorough list I have ever seen.”

“This is a great and very detailed document. It should really help boards and governance professionals understand the pathway to developing and governing a corporate purpose.”

Sarah Kaplan, Professor of Strategic Management, Rotman School of Management, University of Toronto, and co-author of Kaplan-Dey Report: “360° Governance: Where are the Directors in a World in Crisis?”.

[1] Some of these steps have been informed by: “Policy and Practice for Purposeful Business”, The British Academy, Future of the Corporation project, 2021.

The Purpose Governance Framework is divided into two parts, based on whether the company already has an up-to-date purpose:

Part 1: 5 Steps to Developing, Codifying or Refreshing a Social Purpose

Part 2: 21 Steps to Governing your Purpose

Instructions

Review Part 1 and Part 2 to determine how far on the corporate social purpose governance path your organization is today, and where it would like to be in the future. This gap and opportunity assessment can become the basis for a discussion with your board and management on where the organization would like to advance, and by when.

Part 1: 5 Steps to Developing, Codifying or Refreshing a Social Purpose

Board Role	Notes
<p>1. Hold Board Social Purpose education session/s covering:</p> <ul style="list-style-type: none"> a. Definition, business case, trends, and drivers of social purpose b. Best practice social purpose examples, including a peer and competitor scan c. How social purpose differs from and relates to CSR (corporate social responsibility) / ESG (environment, social, governance) / Sustainability / Philanthropy d. The implications, risks, and opportunities of having a social purpose 	
<p>2. Gain board agreement on the benefits and opportunities for having a social purpose, including the rationale and trigger for becoming a social purpose company (e.g., corporate milestone anniversary, new CEO, merger, business expansion, new corporate strategy, etc.).</p>	

Part 1: 5 Steps to Developing, Codifying or Refreshing a Social Purpose

Board Role	Notes
<p>3. Gain board agreement on the process for developing a social purpose and the Board's role in the design.</p>	
<p>4. Provide input into the development of the social purpose, per the agreed process above.</p>	
<p>5. Approve the social purpose recommended by management, which is accompanied by a narrative (explaining what the social purpose means and how it will create value for customers, shareholders, stakeholders, society, and the business).</p>	

Part 2: 21 Steps to Governing your Purpose

Once the board and management have agreed on the company's social purpose, here are twenty-one steps boards and their governance professionals can follow in governing the Purpose. While these steps are geared towards the role of the board, underpinning many of them are steps pursued by management reporting to the board.

Board Role	Notes
<p>1. Approve management's recommended integration / implementation plan with deliverables, milestones, timelines, and accountabilities, specifying what and when elements will be shared with the board (or designated committee if appropriate).</p>	

Part 2: 21 Steps to Governing your Purpose**Board Role****Notes**

2. Approve an updated corporate mission, vision, values, brand promise, value proposition, code of conduct, and other relevant board policies to ensure alignment and foster fulfillment of the Purpose.

3. Ensure social purpose goals, targets and metrics are integrated within the Corporate Strategy / Scorecard; ensure strategy is informed by the company's Purpose and there is compatibility between the Purpose and corporate strategy; ensure the Purpose is embedded across the strategy, not just in one pillar; ensure strategic and scenario planning programs are updated to incorporate Purpose; ensure senior leaders allocate capital and resources with the Purpose in mind. Purpose metrics should inform allocation decisions such as capital expenditures and M&A, as well as company-wide transformation initiatives.

4. Incorporate social purpose objectives into CEO Performance Goals, including delivery on those in the corporate strategy, and ensure the objectives cascade down through the organization. Ensure incentive structures and remuneration systems are based on fulfillment of the Purpose, by embedding Purpose metrics in the company's compensation and performance measurement and management program (including annual and long-term incentives).

Part 2: 21 Steps to Governing your Purpose

Board Role	Notes
<p>5. Ensure Board and Committee Chairs are briefed on upcoming items that have a material connection to the company's Purpose and that sufficient room and time on the agenda is provided for these discussions.</p>	
<p>6. Approve a Board social purpose "Decision Lens", which sets out how the Board will consider social purpose in its decision-making; ensure the Purpose helps the board make key strategic decisions; ensure major investments (including pension) and M&As are consistent with the Purpose; agree on how the Purpose will become a factor in capital planning, budgeting, project approvals, innovation, R&D, etc. Discuss with management how the Purpose will be incorporated into procurement and product development.</p>	
<p>7. Ensure the business model is reviewed to identify necessary changes, transitions, and transformations; approve timeline for any necessary modifications.</p>	
<p>8. Approve recommended list of key stakeholders to help achieve the company's social purpose goals; approve stakeholder goals related to Purpose; consider appointing an Expert Advisory Panel to the board or designated committee to provide an external perspective.</p>	

Part 2: 21 Steps to Governing your Purpose**Board Role****Notes**

9. Ensure cultural change management is implemented that will help deliver on the Purpose and request examples of how management instils the Purpose into day-to-day operations; ensure that management refreshes risk and learning and development models to include Purpose considerations and that Risk and Culture Assessments are conducted: how does the Purpose affect and inform the risk appetite, treatment, culture and operating policies and procedures?

10. Ensure Purpose is included in regular employee engagement surveys (e.g., do employees understand and value the Purpose, do they know how it drives business results, are they equipped, empowered, and know how to incorporate the Purpose into their roles?).

11. Ensure that the company reports to its shareholders and stakeholders on the resourcing, measurement, and performance of progress against the Purpose and that the company transitions to integrated reporting which combines financial disclosures with non-financial disclosures, such as the progress made on Purpose goals/metrics.

Part 2: 21 Steps to Governing your Purpose

Board Role	Notes
<p>12. Update Governance Documents to incorporate the board's Purpose oversight role (e.g., Governance Guidelines, Board Roles and Responsibilities, Committee Charters, Board Assessment, Education). Ensure the Board Evaluation assesses 1) board understanding of the Purpose and 2) that the board ensures management has sufficient systems in place to advance the Purpose.</p>	
<p>13. Ensure that existing CSR / ESG / Sustainability / Social Impact strategy is refreshed to align with and reinforce the Purpose.</p>	
<p>14. Ensure Purpose is incorporated into Succession Planning and the CEO Position Profile (e.g., purpose knowledge, experience, competencies, capabilities, roles, and responsibilities).</p>	
<p>15. Approve any necessary adjustments to corporate structure and executive position/s with clear accountability for the Purpose (e.g., chief social purpose officer); ensure executive position descriptions are updated to incorporate purpose roles, responsibilities, and competencies.</p>	
<p>16. Review progress on Purpose goals regularly. Ensure CEO, Divisions and Business Lines have Purpose deliverables which are reported on at quarterly board meetings.</p>	

Part 2: 21 Steps to Governing your Purpose

Board Role	Notes
17. Ensure internal audit conducts periodic due diligence on how the Purpose is being implemented on an ongoing and consistent basis; ensure internal purpose audits identify potential misalignment in marketing, employee relations, decision-making, etc.	
18. Ensure the process of appointment, appraisal, reward, and removal of directors is directed towards the delivery and execution of the Purpose. Recruit a director with social purpose expertise to the board.	
19. Foster ongoing board education (via expert presentations, articles, etc.) on purpose; include the company's approach to Purpose in new director onboarding.	
20. When commissioning reports or advice from professional services firms, ensure they have purpose competency, capacity, and expertise. Ensure that management gets their advice from professional firms with purpose know-how, e.g., corporate strategy, marketing and branding, succession planning, CEO recruitment, employee engagement surveys, etc.	
21. Periodically, but at least every five years, review the Purpose and ensure it remains relevant.	

Postscript

Responsibility and accountability for a corporate purpose resides with the board, but it is the role of the executive to ensure that implementation does not just sit at the top of an organization. The purpose is determined and if necessary, changed, by consultation throughout the organization and realized through adoption by every part of it. Achievement of the purpose requires a sense of ownership by everyone in the organization, not just those with formal rights and responsibilities to it and those at the top, but from the board to the shop floor. All employees need to understand how their part of the organization contributes to the overall corporate purpose and should feel supported in achieving that through the resources provided, the investments that are made, and the way in which their activities and performance are measured and rewarded[2].

5 Questions for Directors to Ask [3]:

Is our Purpose simple enough to be understood and acted upon?

Who are the key stakeholders we need to advance our Purpose and how are we engaging and collaborating with them?

How does our Purpose connect to our mission and the strategic choices we need to make?

How is our Purpose linked to internal reward systems including (but not limited to) compensation?

What are we doing to ensure our Purpose is embraced by everyone inside the company and supported by our investors?

[2] Adapted from: "Policy and Practice for Purposeful Business", The British Academy, Future of the Corporation project, 2021.

[3] Adapted from: "Enacting Purpose in the Modern Corporation: A Framework for Boards of Directors", Enacting Purpose Initiative, 2020.