

Press release

Tuesday 15th December 2015

**‘Golden shares’ are a solution to protecting social mission,
says Hogan Lovells and Big Society Capital**

Hogan Lovells and Big Society Capital have today launched a report, [*‘Going for Gold: How golden shares can help lock in mission for social enterprises’*](#), which outlines how a social enterprise business can preserve its mission as it grows and raises further investment.

Commenting on the launch of the report, Amanda Onions, Counsel, Hogan Lovells said: “Increasingly, it’s not just Government but business that is embedding a sense of mission to their organizations. Many new entrepreneurs and investors alike are also being driven to improve society, not just make a profit.

"The use of golden shares in social enterprise is relatively new but, used effectively, it can differentiate a company of any size from its purely commercial peers and ensure that its social mission is protected – for the benefit of owners, investors and wider stakeholders."

Granting a golden shareholder the right of veto and control over the mission statement, which an enterprise is founded upon, makes it possible to ensure that the guardianship always remains in the hands of an organization where social impact, and not profit, is the primary focus.

Amanda Onions added: "The key question is not just what mission an organization has but how it is protected for the long term. Changes in stakeholders over time can result in a shift in attitude towards the interplay between profit and impact. Protecting the mission means that the impact can be preserved. These fundamental issues are essentially the same whether you are a startup or FTSE100."

"Impact investors are attracted to this clear sense of mission and, above all, how this is protected over the longevity of a business.

"Equally, consumers and employees are increasingly interested in the attitudes of companies and how those ideals are upheld."

According to the Deloitte Millenials Report in 2013, 50% of young people wanted to work for a business with ethical practices – meaning that 50% of the very best of young talent will hold those ideals.

Simon Rowell, Strategy & Market Development Director, Big Society Capital, said:

“The golden share is a robust and practical tool to help social enterprises traverse the delicate route between increasing their reach and staying true to their founding social goals. Tried and tested by Government, social enterprises can apply this legal innovation to manage the difficult decisions that come with change and growth.

"Better still, it's a tool that social investors can look to build confidence that their investment will keep on delivering social impact in the long-term. Further development is needed. I encourage social enterprises and investors to collaborate to see where golden shares can help them align towards improving society.”

According to data, approximately 8% (100,000 businesses) of the UK's SME employers are impact focused while distributing profits (profit-with-purpose business). There are anticipated to be a similar number of asset and profit locked businesses. Attracting the necessary capital to achieve change, while remaining true to its social mission is a key balance which the report, '*Going for Gold*', finds.

Commenting on the use of golden shares, Shantelle Rochester-Henry, CEO, London Film Studios, said: "One of the biggest challenges that an impact business faces is to be open to equity investors while maintaining its social mission. There is a perception that it is dirty to think about revenue generation if you run a social enterprise. However, without revenue a business simply won't survive and, ultimately, will fail to deliver on its purpose."

Shantelle continued: "The use of golden shares for London Film Studios has not only ensured we stay true to our mission, but it has also provided us with a clear investment structure that benefits all our stakeholders and gives our investors and grant financiers the security that, as a business, we won't change our model. It doesn't have to be a choice between making profit and improving society so I urge all impact focused businesses to get on board with enshrining a golden share into their organization."

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NOTES TO EDITORS

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About Big Society Capital

Big Society Capital is a financial institution with a social mission, set up to build the social investment market in the UK, so that charities and social enterprises can access appropriate repayable finance to enable them to grow, become more sustainable and increase their impact on society. It is doing this by building a diverse social investment market:

encouraging investors to lend or invest money to achieve a social as well as a financial return. Since it was set up as an independent organisation in 2012, Big Society Capital has invested £246 million in specialist organisations who lend to charities and social enterprises. For more information visit www.bigsocietycapital.com