

For-Profit Social Sector Organisations (SSO) - GOVERNANCE AGREEMENT

1. Social Governance

The governance of a social sector organisation must embody and protect its social mission.

1.1 A for-profit SSO will:

- 1.1.1 have objects set out in its constitutional documents which are primarily concerned with the provision of benefits to society (see addendum detailing Social Objects);
- 1.1.2 have a policy in relation to the distribution of profit after tax that ensures surpluses are principally used to achieve social objectives. Practically this means that the payout of cumulative profit after tax to shareholders will be capped at 50% over time, and therefore ensures that any surpluses generated over time will be mainly:
 - reinvested in the business;
 - applied in advancement of its Social Objects; or
 - distributed or donated to other social sector organisations.
- 1.1.3 have a constitutional or contractual lock on its Social Objects, dividend and surplus distribution policy
- 1.1.4 be able to demonstrate that the remuneration of its officers and employees, including salaries, benefits and all forms of distribution or other participation:
 - is reasonable and proportionate relative to market practice for social sector organisations generally; and
 - is disclosed in a manner consistent with the Statement of Recommended Practice for accounting by charities.
- 1.1.5 make best efforts to preserve the social purpose or social mission of the SSO in the event of a change of ownership or control.

2. Social Impact

- 2.1 The core business activities of an SSO must reflect and be consistent with its social mission.
- 2.2 An SSO will be able to demonstrate a causal link between its business operations and activities and the implementation and achievement of its social mission.
- 2.3 The social impact of an SSO must be articulated, evidenced, measured and reported.
- 2.4 An SSO must have a stated commitment to a particular social outcome(s) for a clearly identified set of beneficiaries that are related to its social mission. Where benefits are for the general public, they must be able to access products and services without restrictions and barriers such as affordability.
- 2.5 An SSO must be open to independent social audit.

ADDENDUM - SOCIAL OBJECTS

An organisation will have Social Objects for the purposes of the Governance Agreement if:

- the objects set out one or more purposes dedicated to the provision of benefits to society, as understood by a reasonable person;
- the objects state that any other purpose(s) listed in the objects which are concerned with other matters are subsidiary; and
- there is no reason to believe that the activities and operations of the organisation do not accurately reflect its objects.

The following is an example of a Social Objects clause in a company constitution:

“The Company exists:

- (a) *primarily to provide affordable credit and other financial services to individuals and organisations which are excluded from or are underserved by mainstream credit and financial services markets; and*
- (b) *as a subsidiary object, to generate value for shareholders.”*