
Big Society Capital

An overview

Ludlow – 13 October 2011

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Mission of Big Society Capital group (BSC)

1. Our ambition is to boost the ability of social enterprises, charities, voluntary and community organisations (collectively “the social sector”) to deal with social issues.
2. Big Society Capital will be a financial institution that aims to increase investment in society.
3. It will do this by supporting organisations that invest in the sector: helping them provide a greater range of financial services to social enterprises and charities and VCS organisations, helping them raise more money for onward investment into the sector, and helping them become more sustainable and resilient themselves.
4. BSC will be a champion for social investment with policy makers, investors, stakeholders in the sector and the public at large.
5. Big Society Capital is being capitalised with up to around £400m from dormant bank accounts. An additional £200m will be provided by four of the largest UK high street banks.

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Role of BSC

BSC will have a critical role in developing and shaping a sustainable market for social investment in the UK.

Roles of BSC

Wholesale Investor

- Long term capital to support:
 - Intermediaries
 - Market infrastructure
- Not a grant-making institution

Social Investment Champion

- Market champion:
 - With the public
 - To stakeholders
 - To investors

Operating Principles

Independence

Transparency

Wholesaler

Self Sufficiency

Social Investment Finance Intermediaries

Organisations who intermediate between those interested in investing for social impact and the organisations that need investment to achieve positive change

1. Provide, facilitate or structure investments to/for organisations that have a primary objective of achieving a positive social impact.

1. And/or provide business support to organisations that have a primary social objective

Market Failures

BSC will be looking to help build a fully functioning market by focussing on the following market failures:

1. Capitalisation and Balance Sheet Growth
2. Risk and Working Capital
3. Sustainability and Operational Growth
4. Market mechanisms and infrastructure
5. Advice, skills and information

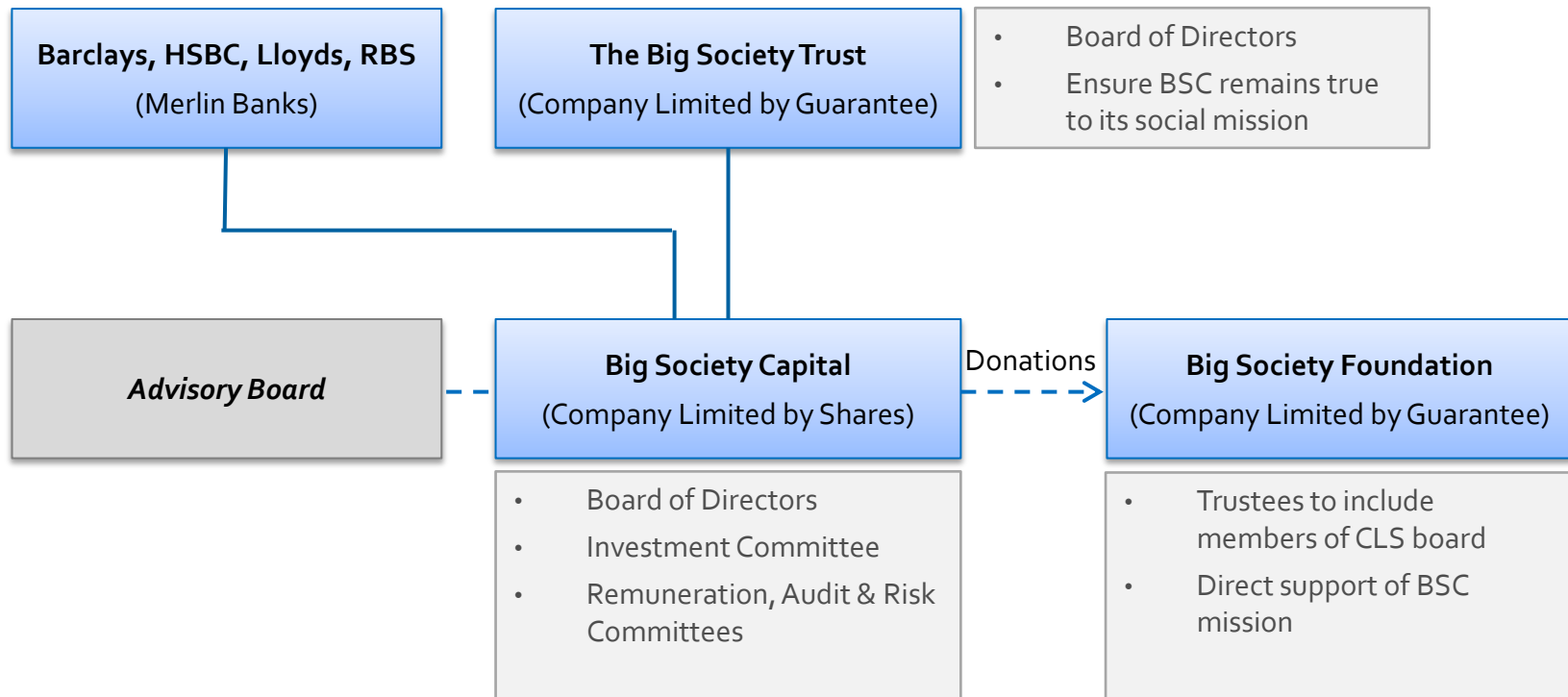
Eligibility Criteria

BSC will be looking to make a wide regional spread of investments which will be screened against the following criteria:

1. Qualified Intermediary
2. Market failures
3. Robust investment proposition
4. Social Impact
5. Game Changing/Innovation
6. State Aid exemptions

Legal Structure & Governance

The structure has been designed to best meet the legal and governance requirements of the BSC.



Next Steps in Implementation

- Fully set up operating company.
- Finalise agreement with the Merlin Banks.
- State Aid approval.
- FSA authorisation.
- Cabinet Office directive to release Dormant Funds to BSC.
- Handover of Investment Committee Big Society Investment Fund (BSIF) investment portfolio to BSC.

Measuring Success and Impact

Social Capital Invested	<ul style="list-style-type: none">• Multiples of BSC assets supporting social investments
Diverse Intermediaries	<ul style="list-style-type: none">• Broader, more specialised, better capitalised and sustainable financial intermediaries
Product Innovation	<ul style="list-style-type: none">• Greater issuance and a broader range of financial instruments across the asset class
Investor Participation	<ul style="list-style-type: none">• Mainstream investment by a broad spectrum of individual and institutional investors
Market Infrastructure	<ul style="list-style-type: none">• Multiple venues, networks, data and measurement systems
Social Impact	<ul style="list-style-type: none">• Measurable success in helping to establish best practice in embedding social impact into social investment
International Leadership	<ul style="list-style-type: none">• International recognition as the role model in social finance