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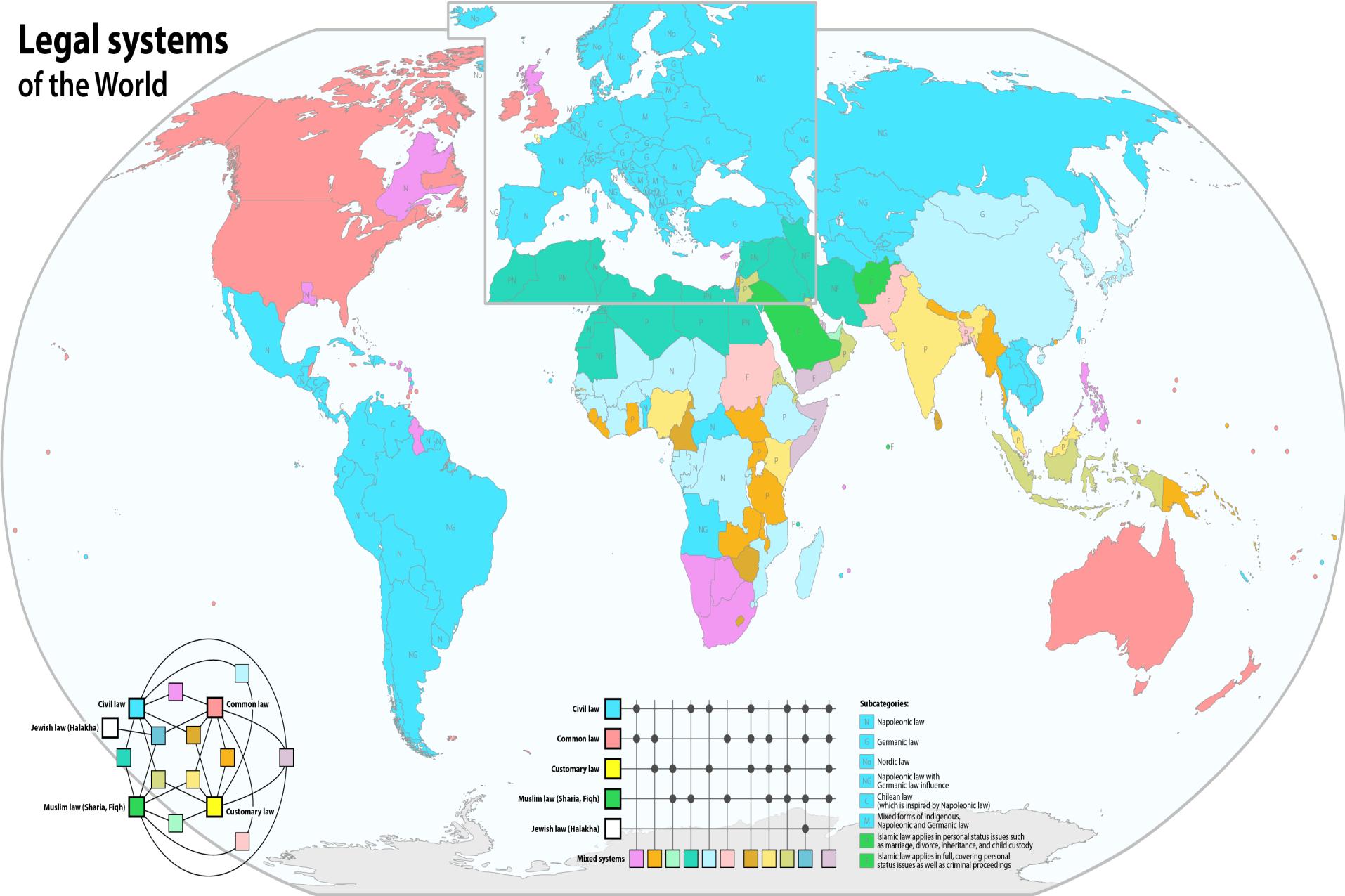
Social Enterprises in Europe

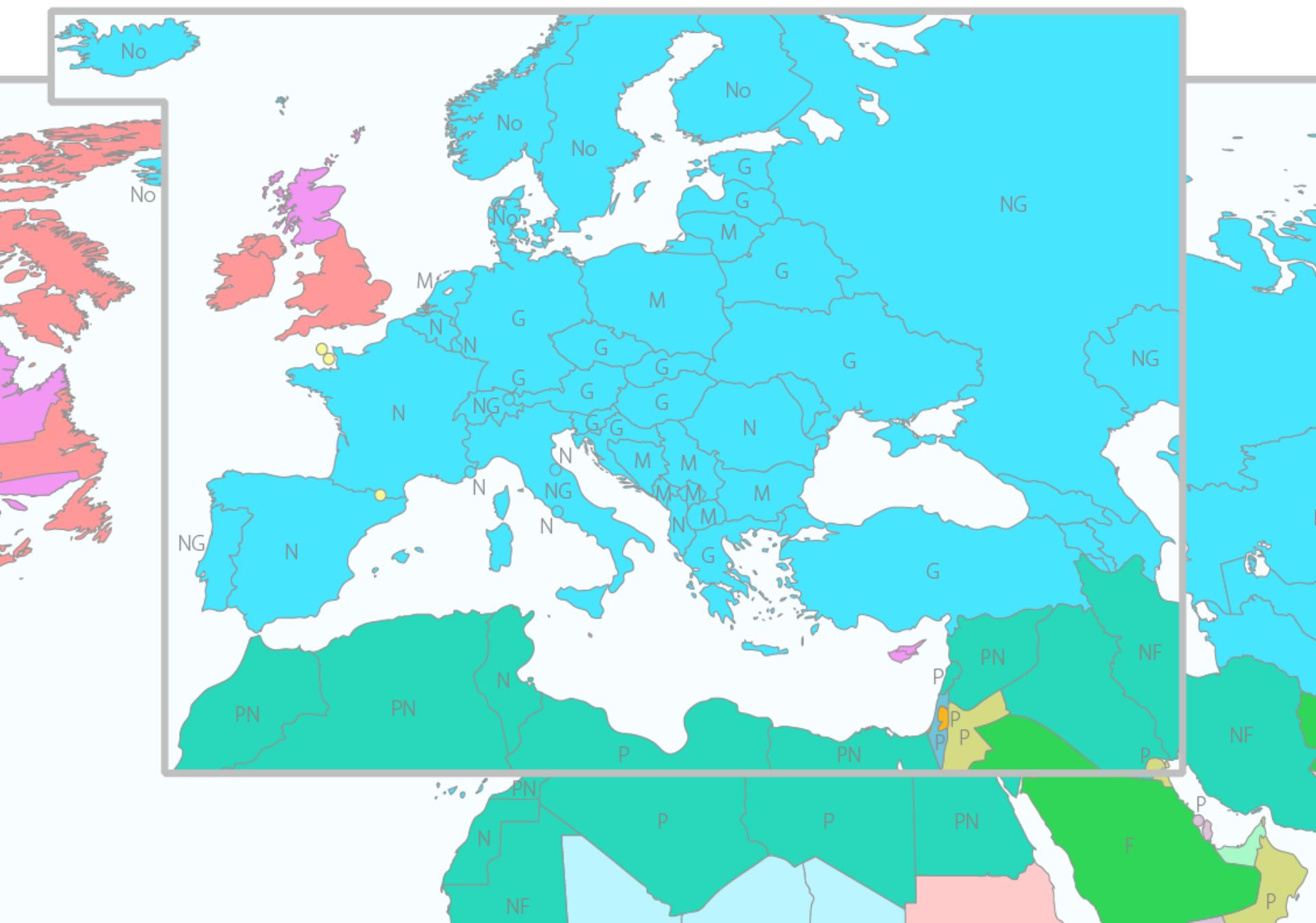
May 23, 2017

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# What are the main legal systems in Europe?

# Legal systems of the World





# Main Commercial Companies in Europe

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## Continental Europe (civil law):

### ➤ “Anonymous” Companies

- Board of Directors + Shareholders (one-tier system)
- OR
- Management Board + Supervisory Committee + Shareholders (two-tier system)
- Highly regulated (for large companies)

### ➤ Private Companies

- Governance depends on the country of origin

## United Kingdom (common law):

### ➤ Company Limited by Guarantee

- Trustees for Charities or Directors + Members

### ➤ Company Limited by Shares

- Board of Directors + Shareholders

### ➤ Public Limited Company

# Main Legal Forms for Impact Investing in France

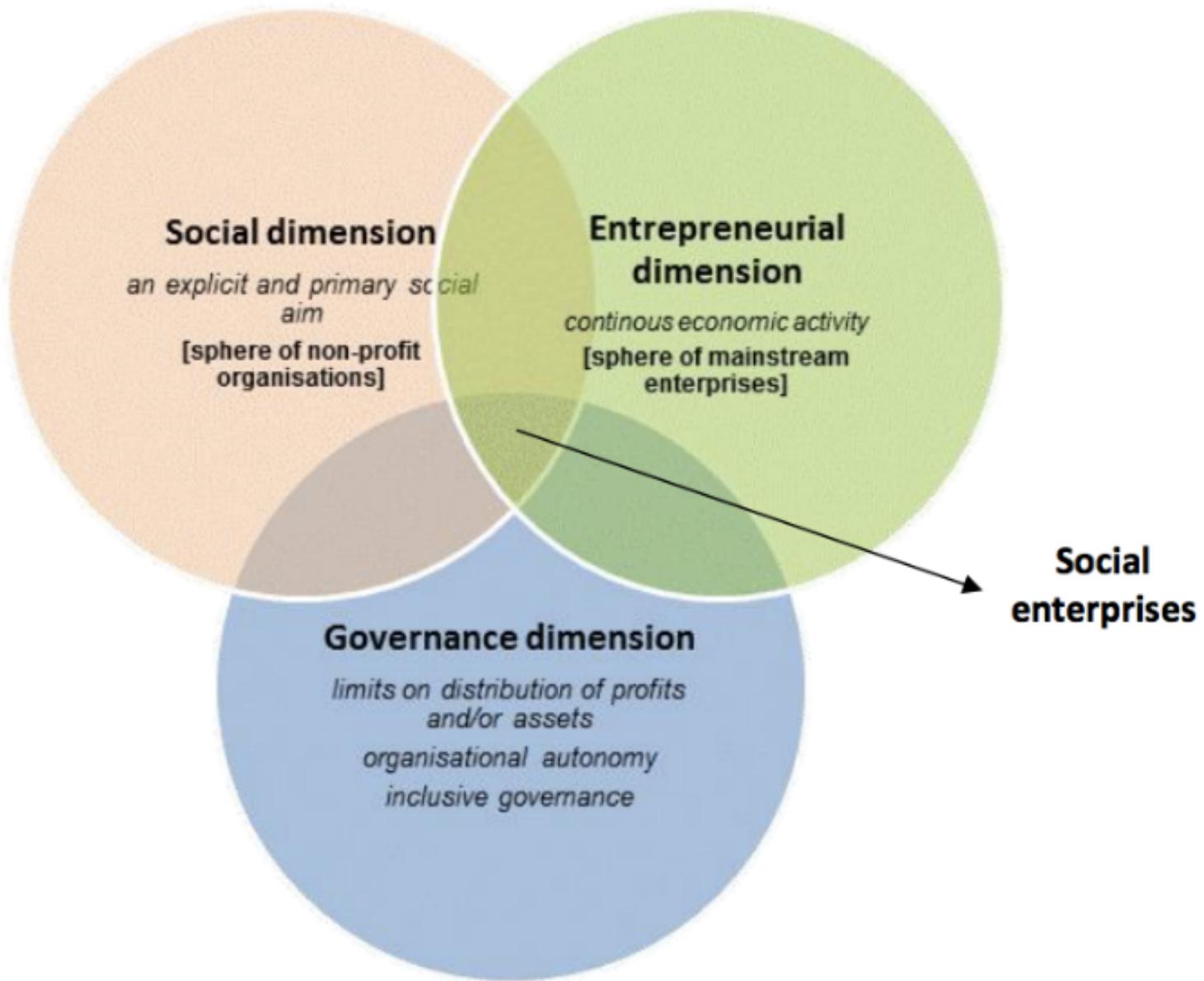
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- ***Société par Actions Simplifiée* (private company):**
  - No minimum capital
  - Executive (*Président*) + Shareholders (only requirement)
  - Very flexible
- ***Société à Responsabilité Limitée* (private company):**
  - No minimum capital
  - Gérant (manager) and/or co-managers + members
  - Not very flexible
- ***Société Anonyme* (rare):**
  - 37.000 euros minimum capital
  - Board of Directors + Shareholders or
  - Management Board + Supervisory Committee + Shareholders
  - Not very flexible

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# **What is a Social Enterprise in Europe?**

# Definition of Social Enterprise in Europe : 5 characteristics



# Legal Form vs. Legal Status

Foundation

Association

Co-operative

Company

Legal Status applies to one or more Legal Forms

Mapping Study ESELA, *Social Enterprise in Europe. Developing legal system which support social enterprise growth (2015)*.

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# Main Legal Forms for Social Enterprises in Europe

Miscellaneous	Non-Profit	Co-operative	Share Company	Member State	Legal Forms			
Member State	Legal Forms			*Italy	Social Co-operative	Social Enterprise ex-Lega (Legal status that can be attached to a number of legal forms)	Foundation Association	
Austria	Association	Share Company	Sole Proprietor		Latvia	Association	Foundation	Share Company
Belgium	Association	Company with Social Purpose	Foundation		*Lithuania	Public establishment	Share Company	Sole Proprietor
Bulgaria	Non-Profit Legal Entity (Associations and Foundations)	Co-operative of People with Disabilities	Specialised Enterprises For People With Disabilities		Luxembourg	Association	Share Company	Co-operative
Croatia	Share Company	Social Co-operative	Association		Malta	Foundation	Association	Co-operative
Cyprus	Non-Profit Company	Association	Foundation		Netherlands	Foundation	Association	Co-operative
Czech Republic	Institute	Association	Social Co-operative		Poland	Foundation	Association	Social Co-operative
Denmark	Association	Foundation	Share Company		Portugal	Foundation	Association	Co-operative
Estonia	Association	Foundation	Share Company		Romania	Association	Mutual Help Associations for Employees	Mutual Help Associations for Pensioners
*Finland	Share Company	Co-operative	Foundation		*Slovakia	Non-Profit Organisations providing Public Benefit	Association	Share Company
France	Association	Share Company	Social Co-operative		*Slovenia	Co-operative	Institutions	Share Company
Germany	Sole Proprietor	Share Company	Entrepreneur (Limited Liability) Company		Spain	Social Integration Enterprise	Social Co-operative Initiative	Special Employment Centre
*Greece	Social Co-operative Enterprise	Limited Liability Social Co-operative	Third Legal Form not provided by Respondent		Sweden	Co-operative	Association	Share Company
Hungary	Non-Profit Company	Foundation	Association		Switzerland	Association	Co-operative	Share Company
Ireland	Share Company	Non-Profit Company	Association		*UK	Share Company (Community Interest Company adaptation)	Non-Profit Company (Community Interest Company adaptation)	Co-operative

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# Legal Statuses for Social Enterprises in Europe

# Comparison Chart – Examples of Social Enterprise Legal Statuses

Main criteria	European SE	ESS-ESUS Enterprise (Fr)	SIS (Lux)	Societa Benefit (It)	CIC (Uk)
Economic Activity	✓	✓	✓	✓	✓
Primary Social Aim	✓	✓	✓	✓	✓
Asset and Profit Limitation	✓	✓	✓		✓
Inclusive governance	✓	✓			
Organizational Autonomy	✓		✓	✓	✓
Compensation Limit		✓	✓		(reasonable)
Impact Reporting and Measurement			✓	✓	✓

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## Examples of Social Enterprises in Europe

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# **ESUS Company in France**

*“Entreprise de l'économie sociale et solidaire”*

# ESUS Company in France

## Entreprise Solidaire d'Utilité Sociale (ESUS)

Law n. 2014-856 of 31 July 2014

### Key features



- “Traditional” SSE Companies: *associations, foundations, mutual companies, cooperatives*); &
- **Commercial companies with the following statutory provisions:**
  - Primary social aim (social utility),
  - **Democratic governance**, and
  - Limits on distribution of profits

- Primary social aim (social utility),
- Limitation on compensation,
- Activity has a significant impact on financial returns or expenses,
- Shares cannot be traded on regulated market,
- Renewable every 2 or 5 years

# ESUS Company in France

## Entreprise Solidaire d'Utilité Sociale (ESUS)

*Law n. 2014-856 of 31 July 2014*

### Main advantages



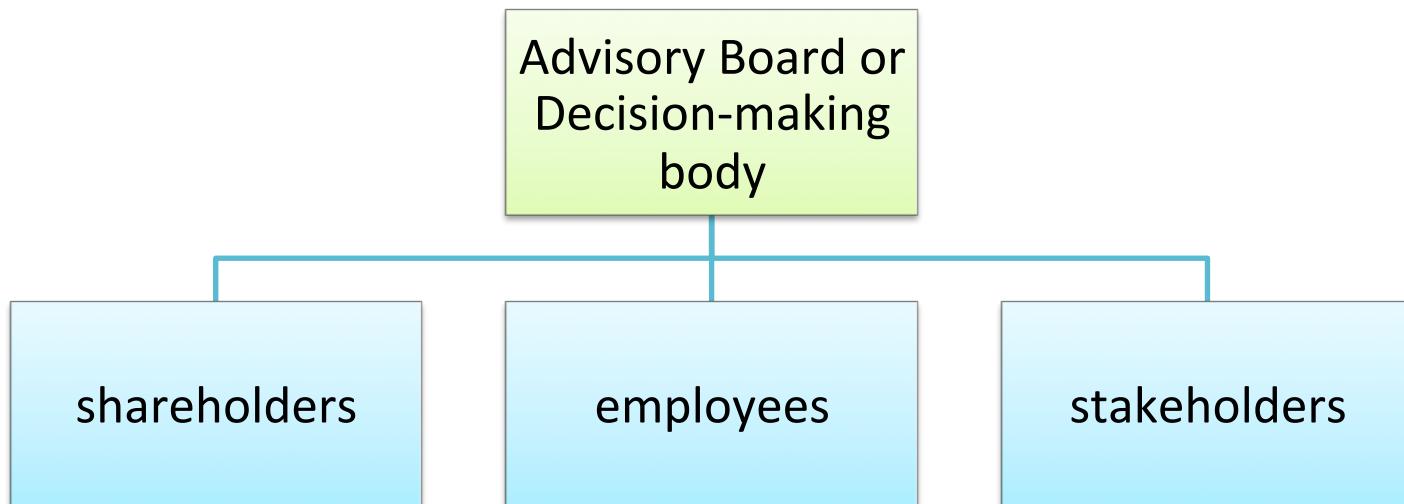
- Image / Communication
- Visibility / Funding
- Subsidized employment contracts (*in some regions*)

- **90/10 Solidarity Savings Funds**
- Tax advantages on investment (*tax reduction on investment*)
- Subsidized employment contracts (*in some cases*)
- Civil service volunteers

# ESUS Company in France

## Democratic governance requirement

The ESS company needs to have a democratic governance, defined and organized by its statutes, allowing information and participation, of shareholders, employees, and stakeholders, regardless of capital or financial contribution.



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# **SIS Company in Luxembourg**

# SIS Company in Luxembourg

## Société d'Impact Sociétal (SIS)

*Law n. 255 of 12 December 2016*

### Key features



- Commercial and Cooperative Companies (SA, SARL, SC only)

- Primary social aim (social utility),
- **Autonomous management**,
- Limitation on profit and asset distribution,
- Annual impact report + KPIs to measure performance of social impact,
- Limitation on compensation for employees only (6x min. wage)
- Annual audit

# SIS Company in Luxembourg

## Société d'Impact Sociétal (SIS)

*Law n. 255 of 12 December 2016*

### Main advantages



**Commercial  
Companies**



#### SIS companies with 100% of impact shares:

- Collectivity income tax exemption,
- Commercial commune tax exemption,
- Fortune tax exemption,
- Income tax deduction for donations (cash) granted to SIS (same as FRUP and ASBL),
- Public funding

#### Any SIS company:

- Visibility,
- Grants,
- Public tenders (*marché publique*)

# SIS Governance Requirement

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## Independent management requirement

- SIS company requires **independent management** *whereby the members of the company are fully capable to choose and revoke their own governing bodies and control and organize activities*



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[info@esela.edu](mailto:info@esela.edu) to join our network!