HOW TO GET STARTED? THE SOCIAL ENTREPRENEUR'S GUIDE





LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère du Travail

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Foreword

Welcome to the world of social entrepreneurship, where social purpose meets economic performance. In a world where social and environmental challenges are numerous and complex, the role of social entrepreneurs has never been more crucial. Many agree that social entrepreneurship is emerging as a promising way of providing innovative and sustainable solutions.

Back in 2009, the Luxembourg government already created a ministerial department dedicated to the social and solidarity economy, and the former Prime Minister Jean-Claude Juncker stated that « the government was attaching new importance to what was known as the solidarity economy [...] and that it considered this area of policy to be an essential mission of the government ». Since the entry into force of the law of December 12th, 2016 establishing the creation of social impact companies, Luxembourg has provided itself with a legal framework that is unique in Europe and the world, enabling actors in the social and solidarity economy to be recognized as such.
With the adoption of the United Nations resolution on the promotion of the social economy for sustainable development on April 18th, 2023 and the adoption of the recommendations of the Council of the European Union on the development of framework conditions for the social economy in November 2023, a new milestone has been reached.

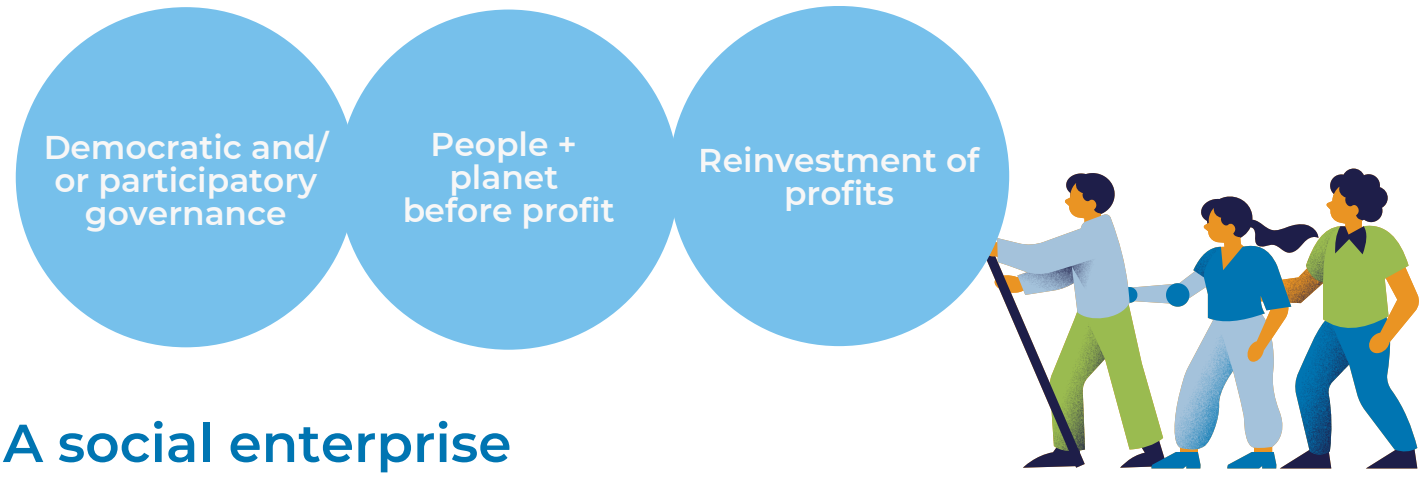
This Social Entrepreneur's Guide is testimony to the importance the government attaches to alternative ways of doing business. It enables you to navigate through the wealth of information on the social economy and social impact companies and to move from idea to impact. It will serve as a reference for aspiring and seasoned social entrepreneurs alike. Through the various chapters, you will discover the principles and values of the social and solidarity economy. Not only will you get an overview of the latest key figures, but you will also benefit from the tools, information, advice and practical tips needed to launch a company accredited as a Social Impact Company.

This guide is more than just a booklet: it's a call to action. Each and every one of us has the power to become a change maker, to harness our creativity, passion and empathy to address the most pressing issues. Let this guide be your companion, your source of inspiration, and remind you that the greatest risk is not in trying and failing, but in never trying at all.

The social and solidarity economy (SSE)

"Social economy means a set of private law entities providing goods and services to their members or to society, encompassing organizational forms such as cooperatives, mutual societies, associations (including charities), foundations or social enterprises, as well as other legal forms, that operate in accordance with the following key principles and features:

- *the primacy of people as well as social or environmental purpose over profit;*
- *the reinvestment of all or most of the profits and surpluses to further pursue their social or environmental purposes and carry out activities in the interest of their members/users ('collective interest') or society at large ('general interest'); and*
- *democratic or participatory governance."* (*)



A social enterprise

"A social enterprise means a private law entity that provides goods and services for the market in an entrepreneurial way and in accordance with the principles and features of the social economy, having social or environmental objectives as the reason for its commercial activity. Social enterprises can be set up in a variety of legal forms." (*)

THE GLOBAL GOALS

*According to the definition used by the Council Recommendation of November 27th, 2023 developing social economy framework conditions.

In Luxembourg*



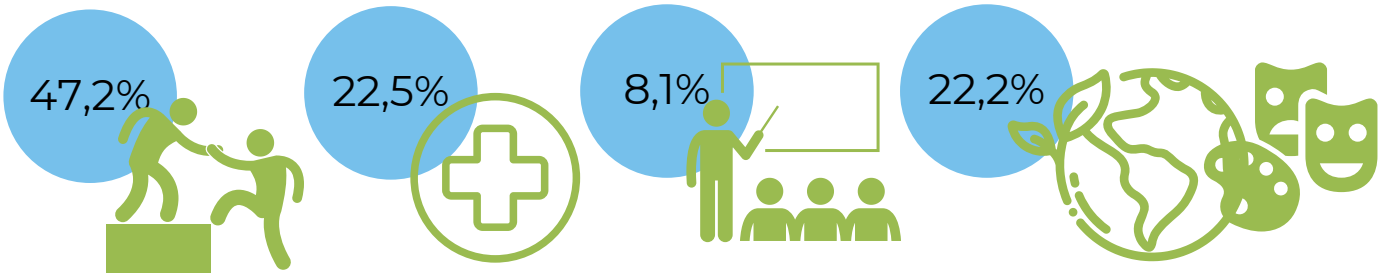
15.064 jobs
(4% of national employment)





67.144 volunteers
(11% of the population)

The main sectors (by number of jobs)



Social Action **Healthcare** **Education** **Others** (Environment, culture, etc.)

The different actors

SSE actors can have different legal forms:

- Associations
- Foundations
- Social enterprises
- Companies accredited as social impact companies
- Mutual societies
- Cooperatives



*Source: Regards 4/22 : Panorama en chiffres de l'économie sociale et solidaire, STATEC (2022)

The Social Impact Company (SIS)

The Social Impact Company is a **ministerial accreditation reserved for commercial companies that meet the principles of the social and solidarity economy.**

Who can apply for the SIS accreditation?

Any **public limited company (SA), private limited liability company (SARL), simplified private limited liability company (SARL-S) or cooperative company (SCOP)**, whether constituted or in the process of being constituted, as well as **associations and foundations pursuing commercial activities** and wishing to convert (art. 31 of the ASBL law) may apply for the SIS accreditation.

Their **company's purpose** is to :

- provide **support for people in vulnerable situation**

- or contribute to:
  - **preserving and developing social cohesion**
  - the **fight against exclusion and healthcare, social, cultural and economic inequalities**
  - the **gender equality**
  - the **maintenance and strengthening of territorial cohesion**
  - the **protection of the environment**
  - the **development of cultural or creative activities**
  - the **development of initial or continuing professional development training**

- **or both**



Under which conditions?

Each company accredited as a SIS must comply with a number of conditions, the 3 main ones being:

Allocation of share capital
(Minimum 50% impact shares*; maximum 50% performance shares)

Cap on wages to 6 times the social minimum wage

Prohibition on borrowing directly or indirectly from shareholders and issuing debt instruments to shareholders

Other conditions are :

- Reinvestment of all or the majority of profits in the maintenance and development of the company's activities
- Respect of the principle of autonomous management
- Measurement of social impact through performance indicators

What are the advantages?

Each SIS benefits from a number of advantages, depending on the allocation of its share capital.



For each SIS:

- Clear and precise legal framework
- Recognition of the company's social purpose
- Access to state aid
- Possibility of participating in public tenders
- Use of the IMPACT LUXEMBOURG label

Additional advantages for companies whose share capital is made up of 100% impact shares:

- Tax benefits (exemption from local authority income tax, municipal business tax, wealth tax)
- Tax deductibility of donations received
- Possibility of hybrid financing (public + private)

*Impact shares do not entitle their holders to dividends.

Why measure your impact?

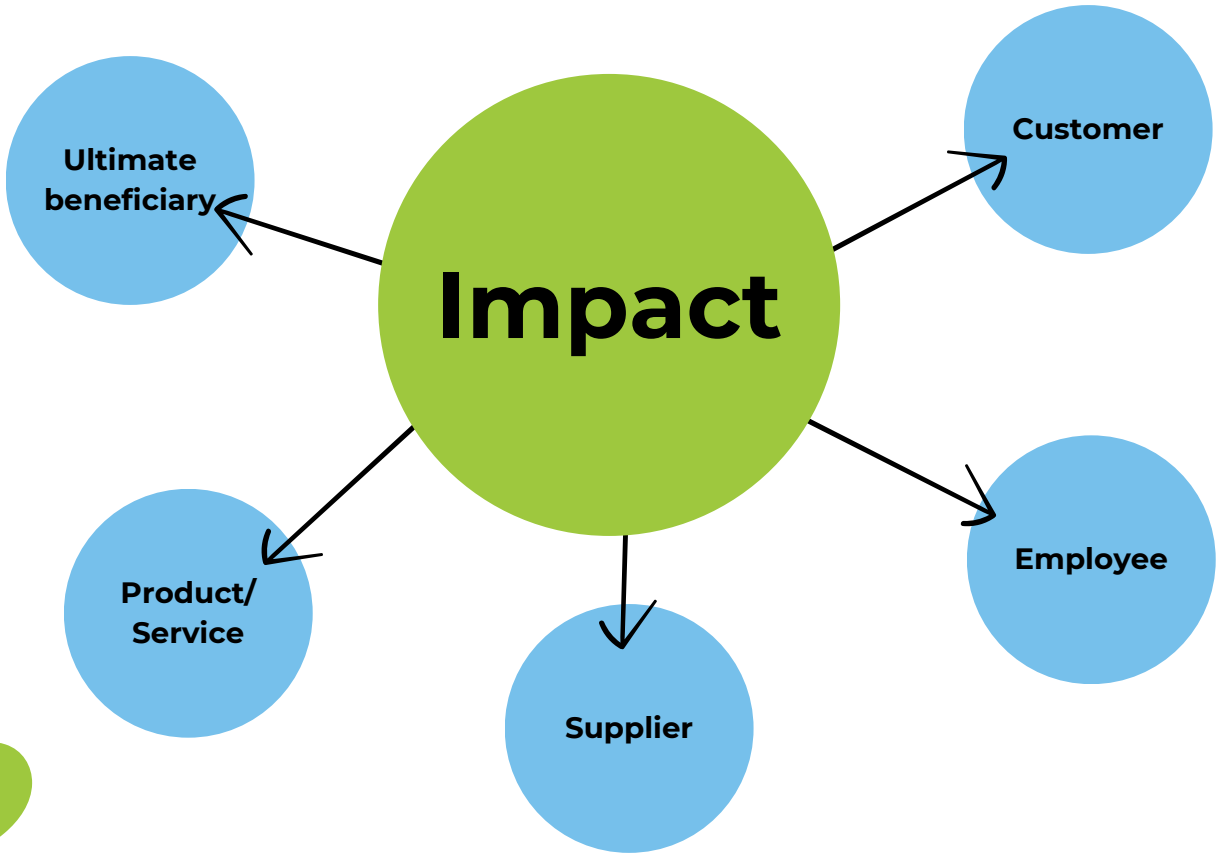
It is important to translate a social vision into measurable impact objectives for a number of reasons.

Whilst it is more difficult to translate it into quantitative metrics, which makes it more complex to measure than pure financial results, measuring social impact allows us to:

- Provide evidence of efficiency
- Help allocate resources
- Demonstrate responsibility
- Provide a tool for continuous improvement
- Highlight positive changes to inspire others

Social impact measurement aims to assess the social value produced by the activities of any for-profit or non-profit organisation. It is the process of understanding how much change in people's well-being or the condition of the natural environment has occurred and can be attributed to an organisation's activities.
(OECD, 2023)

A company's impact can be visible in different ways, making it more tangible and therefore easier to measure.



Here are a few examples:

Objective	Activity	Examples of impact measurements
Access to labour market	Support + training for people who are far from the job	Number of training courses offered Number of people who have found a job
Environmental protection	Selling of products to reduce the use of products that are harmful to humans Zero waste	Improved air quality, reduction in the purchasing of chemical products, reduction in the number of directly related diseases Quantity of waste avoided
Creating and maintaining employment	Offer ongoing training to improve working conditions and well-being	Reduced absenteeism, fewer work accidents
Quality education for all	School support courses for all	Number of students who benefited from the free service
Zero poverty	Creating affordable housing	Number of housing units created Number of households living there



What steps need to be taken to obtain the accreditation?

In addition to the **accreditation form**, fully completed and signed, each file must contain at least :

- **Draft of the articles of association,** complying with the information provided in the company's application form
- Annex 1: **Declaration of honor**
- Annex 2: **List of all key people of the company** (board members, managers, economic beneficiaries)
- **Other documents** to be provided:
  - Copy of the company's articles of association, notarised or under private deed, depending on the legal form of the applicant, and as currently registered with the Trade and Companies Register
  - Certificate of immatriculation at the Social Security Centre (CCSS)
  - VAT registration certificate issued by the VAT Authority
  - Extract from the Luxembourg Business Register (LBR)
  - Certificate of non-bankruptcy and absence of current liquidation proceedings issued by the LBR
  - Copy of the business permit issued by the Ministry of Economy
  - Copy of any (other) relevant authorisations relating to the economic activity

The **Steering Committee for Social Impact Companies** advises each accreditation file before submitting it to the **Minister of Labour** for final decision.

After receiving the **ministerial accreditation** as a Social Impact Company, the new version of the articles of association of the company must be deposited at the LBR.

It should be noted that **newly created companies** must provide the same other documents listed above, within 3 months of obtaining the SIS accreditation from the Ministry of Labour.



The accreditation form is available for download online:

What are the annual supervision requirements?

To guarantee that the economic activities pursued are genuine and serious, each SIS is subject to an annual supervision.

The annual accounts

The obligation to draw up annual accounts varies according to legal form, size and business sector. The 'standard' annual accounts contain the balance sheet, the profit and loss account and the appendix to the accounts. The annual accounts must be approved by the Annual General Meeting within 6 months of the end of the calendar year (natural persons) or the financial year (legal entities). The annual accounts must then be deposited at the LBR in the month following their approval.

The annual financial report

The annual financial report certifies compliance with the 3 main conditions for accreditation (see page 7). The form to fill in is available on guichet.lu, along with a list of all the documents to be attached. This report must be established by:

- an approved statutory auditor if the company's turnover or net assets exceed EUR 1 million. You can find the list of approved auditors on the website of the Commission de surveillance du secteur financier (CSSF)*
- a statutory auditor if turnover or net assets are between EUR 100,000 and EUR 1 million

A financial self-assessment is required if turnover or net assets < EUR 100,000.

The extra-financial impact report

The extra-financial impact report is drawn up each year by the company and approved by the Annual General Meeting. The report must present details of the implementation of the impact performance indicators during year Y (as defined in the articles of association of the SIS :

- Description of activities during year Y ;
- Performance indicators for year Y;
- Indicators' forecast for the following 3 years.

A template for an extra-financial impact report is available on request from the Ministry of Labour's SSE department.



*To the list of approved statutory auditors:

*Creation of a SIS - procedure to follow**



Description of the corporate purpose
(economic activity with a social purpose)

Measuring social impact
(Defining performance indicators)





Application for a business permit
(Ministry of the Economy - General Directorate for SME, Craft and Retail)

Application for a SIS accreditation
(Ministry of Labour)



The following can be carried out in parallel



Signature of the constitution act / articles of association
(Notary or under private deed)

Deposit of articles of association and SIS accreditation & registration
(Luxembourg Business Register)





Registration
(CCSS)

Registration
(Registration Duties, Estates and VAT Authority)



*N.B.: the exact procedure varies on a case-by-case basis (situation of the company, choice of legal form, etc.).

Transformation of an existing company into a SIS.*

Description of the corporate purpose
(economic activity with a social purpose)





Measuring social impact
(Defining performance indicators)

Draft modification of the articles of association
(Ministry of Labour)





Application for a SIS accreditation
(Ministry of Labour)

Signature of the modified articles of association
(Notary or under private deed)





Deposit of modified articles of association and SIS accreditation
(Luxembourg Business Register)

*N.B.: the exact procedure varies on a case-by-case basis (situation of the company, choice of legal form, etc.).

What is the procedure for withdrawing the accreditation?

Accreditation may be withdrawn:

- by decision of the Minister of Labour, if the company does not meet the conditions which justified the accreditation; or
- in the event of voluntary liquidation by the shareholders.

In any circumstances, if the SIS accreditation is withdrawn, **the company** will be **dissolved automatically**. Any liquidation surplus is allocated, in the form of a donation, to :

- another SIS with the same or a similar purpose to the SIS in liquidation; or
- a Luxembourg foundation or a non-profit association recognised as being of public utility by Grand-Ducal decree.

Find out more about the SIS accreditation here:

We also recommend you to consult the law of December 12th, 2016 establishing the creation of social impact companies:



Who can help me?

The Social Business Incubator (SBI)

The Social Business Incubator (SBI) is much more than a traditional incubator. On the initiative of the Ministry of Labour, it reflects the Luxembourg government's desire to develop the social and solidarity economy (SSE) as part of Luxembourg's economic diversification policies.

As well as being a meeting place and skills centre for the national SSE, one of the SBI's main mission is to offer tailor-made support for commercial companies wishing to apply for the ministerial SIS accreditation.

The SBI also offers training, intensive programmes and networking events, always with a focus on social entrepreneurship and social innovation.



You can find out more about the SBI here:

Our partners

HOUSE OF **ENTREPRENEURSHIP**
powered by the Luxembourg Chamber of Commerce

For general questions about setting up a business

HOUSE OF **STARTUPS**
powered by the Luxembourg Chamber of Commerce

For any questions about the start-up ecosystem in Luxembourg

HOUSE OF **SUSTAINABILITY**
powered by Chamber of Commerce & Chambre des Métiers

For all questions about sustainable development and CSR

ŒUVRE
Nationale de Secours
Grande-Duchesse Charlotte

For all requests for one-off financial support



Which label?

The « IMPACT LUXEMBOURG » label was created to give greater visibility to companies accredited as SIS and to support them in promoting their economic activities with a social purpose.

IMPACT LUXEMBOURG
SOCIÉTÉ D'IMPACT SOCIÉTAL

Each accredited SIS can ask permission for the use of the label to the Entrepreneurs d'Impact Luxembourg (EIL) association.

By using the label in their communications, SISs are clearly identified as major players in Luxembourg's social economy.

Find out more about the label here:

The social and solidarity economy gateway

If you would like to discover the world of the social and solidarity economy in Luxembourg and beyond, the gateway offers you a wealth of useful information and useful addresses, as well as national and international news. You will also find testimonials from social entrepreneurs and innovators.

Portail de l'Économie Sociale et Solidaire

