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To:  
Industry Canada  
Submission on Consultation to Create Socially Responsible Enterprise (SRE) Incorporation

From:  
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Accelerating Social Impact CCC, Ltd., (ASI) is one of Canada's first hybrid companies incorporated in British Columbia. ASI recommends Industry Canada amend the existing CBCA regulations to allow Socially Responsible Enterprise (SRE) incorporation.

Further, we recommend IC use the business structure and regulatory framework created in British Columbia's Community Contribution Company (CCC) as outlined below.<sup>1</sup>

Creating the Socially Responsible Enterprise (SRE) corporate structure meets government's commitment to supporting social enterprise<sup>2</sup> and social finance<sup>3</sup>.

In addition the SRE business model allows commercial businesses to address social needs and other important objectives:

- Offers financial sustainability options to non-profit and registered charitable organizations
- Provides a means to leverage the emerging and substantial social impact investment capital currently underutilized in Canada.<sup>4</sup>
- Provides a recognized corporate option for young social entrepreneurs seeking to use business endeavours to address social and environmental challenges.<sup>5</sup>

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<sup>1</sup> The BC Ministry of Finance undertook extensive legal and community consultation to come to this analysis and legal framework. The BC process appropriately resulted in only requiring adjustments to existing corporate regulations, rather than taking the UK route of creating new legislation, regulatory structures and systems.

<sup>2</sup> Minister Kenney statement 'this government supports social enterprise' at the Social Enterprise World Forum, October 3, 2013 – need to link to ESDC website of speech

<sup>3</sup> Federal budget – need to find and site page etc.

<sup>4</sup> CRA regulatory paper July 2012 on Program Related Investment from Foundations;  
[www.socialfinance.ca](http://www.socialfinance.ca);

<sup>5</sup> Business schools across the country are seeing new interest in social entrepreneurship and social enterprise: Sandermoen School of Business at the University of Fredericton MBA Program, Social Enterprise Leadership; ISIS at Sauder School of Business at UBC; Radius Centre at Simon Fraser University.

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- In a time when direct government grants and financial resources are shrinking, it opens up innovative options for private investment and business models to address complex social issues.
- The vast majority of SRE's will fall into the SME business size category, a vital and significant contributor to the creation of jobs, the economy and to the sustainability of Canada's communities.

### Why a New Type of Corporation?

For a social purpose business, existing corporate forms have certain limitations. Non-profit societies (including registered charities) can't issue shares or pay dividends, and therefore find it difficult to attract investment. For-profit companies suffer from the opposite problem – they can pay dividends, but they can't assure investors that their investments will be used for a social purpose. The SRE model allows social enterprises to receive equity investment and gives investors the assurance that the investment will have a positive social impact in perpetuity.

### How SRE's are Different Under the British Columbia Model

Like a traditional for-profit company, SRE's have the ability to issue shares and pay dividends to shareholders; however, they must follow a number of rules that ensure the majority of their profits and assets will always be directed toward a social purpose.

- Dividends paid to shareholders are limited to 40 per cent of their annual profits
- An SRE must have three directors (instead of one) who must act with a view to the "community purposes" and can be held liable for wrongful distribution of the company's assets
- SRE's must publish an annual "community contribution report" describing the company's social spending, community activities and dividend payments; and
- If an SRE is dissolved, a maximum of 40 per cent of its assets may be distributed to shareholders (the remainder must be transferred to a charity or other asset-locked entity).

SRE will differ from non-profit organizations, as they are not eligible for federal income tax exemptions and are not eligible for CRA charitable status, therefore they do not have the ability to issue tax receipts. As other for-profit businesses, they will be liable to comply with all corporate tax regulations and contributions.

### How is "Social Purpose" Defined?

In order to encourage social innovation, "social purpose" or "community purpose," as it is referred to should be defined quite broadly. The purpose must be beneficial to society, or to a segment of society, not just the shareholders, directors, or other people who are involved

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in the SRE. One example is a non-profit organization that operates a business to generate funding for its community programs and services. Another is a business that provides on-the-job training to people with disabilities or other barriers to employment.

Requiring annual on-line reporting will provide transparency for public review of SRE activities.