

GUIDE ON SOCIAL STOCK EXCHANGE



Issued by

Corporate Law Committee

The Institute of Cost Accountants of India

(Statutory body set up under an Act of Parliament)

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PROLOGUE

This Guide has been prepared in accordance with the framework as contained in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 [hereinafter referred to as “ICDR Regulations”], Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 [hereinafter referred to as “LODR regulations”] and Securities and Exchange Board of India (Alternative Investment Funds) Regulations 2012 [hereinafter referred to as “AIF regulations”] as amended to date, with regard to the broad framework for Social Stock Exchange.

In addition, following documents shared by the Securities and Exchange Board of India (SEBI) with the Institute of Cost Accountants of India [hereinafter referred to as “the Institute”] have also been relied upon:

1. Working group report issued by SEBI on June 1, 2021 relating to Social Stock Exchange
2. Technical group report issued by SEBI on September 21, 2020
3. Supplementary documents
 - a. Social Audit Standards
 - b. SSE initiative Impact report on
 - c. ESG Standards

Further, this Technical Guide is based on a preemption that SEBI would recognize the scope of services that may be rendered by the Cost Accountants in practice for implementation & certification of affiliated activities in Social Stock Exchange (SSIs) for registration in SSE of Not for Profit Organisations and make suitable amendments in its ICDR Regulations to supplement the existing terms “Statutory Auditor” or “Independent Chartered Accountant” or “Firm of Independent Chartered Accountants” that holds a valid peer review certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India (ICAI) with the additional terms “Statutory Cost Auditor” or “Independent Cost Accountant” or “Firm of Independent Cost Accountants” that holds a valid peer review certificate issued by the Peer Review Board of the Institute.

This Guide shall be modified, finalized and issued by the Institute based on the final version & notification of the amended ICDR Regulations.

PRESIDENT'S MESSAGE



It is my great pleasure and privilege to place before you the Technical Guide on “Social Stock Exchange” being brought out by the Corporate Laws Committee of the Institute. This Technical Guide is an important endeavor by the Corporate Laws Committee at a very apt time when the markets are getting used to the new information, modalities, and framework in and around the Social Stock Exchanges.

During the Budget Speech of 2019-20, Hon’ble Finance Minister of India, Ms. Nirmala Sitharaman had first proposed the concept of Social Stock Exchange (SSE) in India. In the spirit of financial inclusion and capital accessibility, the Securities and Exchange Board of India (SEBI), approved the creation of the Social Stock Exchange (SSE) in India. The SSE is a novel concept in India and such a platform was meant to serve the private and non-profit sectors by directing more capital to them. The Securities Contracts (Regulation) Act, 1956 was then invoked by the government, which subsequently published a gazette notification announcing a new security as “zero coupon zero principal”. The SSE will function as a distinct division of the current stock exchanges under the new regulations. The non-profit organisations will be allowed to get listed on stock exchange.

I firmly believe that this Technical Guide would be beneficial for the Institute and its members to play a pivotal role in preemptive action that SEBI would recognize the scope of services by the Cost Accountants in practice for implementation & certification of affiliated activities in Social Stock Exchange for registration in SSE of Non- Profit Organisations and make suitable amendments in its ICDR Regulations.

I request readers of this Technical Guide to send their constructive suggestions for further improvement of the document in its next edition.

With best wishes,

CMA Vijender Sharma
President

VICE-PRESIDENT'S MESSAGE



I am pleased to note that the Corporate Laws Committee of the Institute is releasing a Technical Guide on “Social Stock Exchange”. This comprehensive Guide gives in detail the concept of Social Stock Exchange (SSE) and various disclosure requirements for Non-profit organisations to be registered at SSEs along with necessary appendices.

I am sure that that this Technical Guide on Social Stock Exchange will not only benefit our practicing members and professionals but also other stakeholders such as Government Departments, Regulators, Industrial Houses, Banks and Financial Institutions, etc.

I would like to acknowledge the hard work of resource persons and dedicated efforts of the department officials in releasing this Technical Guide. My best wishes to the endeavors of the Corporate Laws Committee.

With best wishes,

CMA Rakesh Bhalla

Vice President

CHAIRMAN'S MESSAGE



Dear Readers,

I am pleased to announce the release of our new book on the Social Stock Exchange, which aims to explore the potential of this innovative and emerging financial market.

In recent years, the Social Stock Exchange has gained increasing attention as a platform for impact investing and social finance. It provides a marketplace for investors to find and invest in companies and organizations that are committed to social and environmental impact, in addition to generating financial returns.

Our book provides a comprehensive overview of the Social Stock Exchange, including its history, purpose, and the companies and organizations that can participate in it. We also explore the challenges and opportunities of investing in this market, as well as its potential to drive positive social and environmental change.

I sincerely acknowledge the efforts of CMA Divya Abhishek who have authored the Guidance Note. Also I will like to place on record due acknowledgements for the reviewer of the book CS Rambabu Pathak. Both professionals have put in great effort towards the content of the book.

Whether you are an investor, a professional, an entrepreneur, or simply interested in learning more about the intersection of finance and social impact, our book is an excellent resource. We hope it inspires you to explore the potential of the Social Stock Exchange and the power of impact investing to create positive change in the world.

Thank you for your interest and support.

Sincerely,

CMA Niranjana Mishra
Chairman

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Chapter 1

INTRODUCTION

About SEBI

The Securities and Exchange Board of India was constituted as a non-statutory body on April 12, 1988 through a resolution of the Government of India.

The Securities and Exchange Board of India was established as a statutory body in the year 1992 and the provisions of the Securities and Exchange Board of India Act, 1992 (15 of 1992) came into force on January 30, 1992.

The basic functions of the Securities and Exchange Board of India is “to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto”

Regulatory Framework

The Securities and Exchange Board of India has prescribed the regulatory framework for Social Stock Exchange by

- a) Inserting a new Chapter X-A comprising of Regulation 292A to 292 P in SEBI (Issue of Capital and Disclosure Requirements) [Third Amendment] Regulations, 2022 notified on 25th July, 2022. These regulations are referred to as “ICDR regulations”.
- b) Inserting a new Chapter IX-A consisting of Regulations 91A to 91F of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2022. These regulations are referred to as “LODR regulations”.
- c) Consequential amendments to the Securities and Exchange Board of India (Alternate Investment Funds) Regulations, 2012 arising out of the amendments to the ICDR regulations. These regulations are referred to as “AIF regulations”.

The Hon’ble Finance Minister as part of the Budget Speech for FY 2019-20 had proposed to initiate steps towards creating a Social Stock Exchange (SSE), under the regulatory ambit of Securities and Exchange Board of India, for listing social enterprise and voluntary organizations. The Hon’ble Finance Minister as part of the Budget Speech for FY 2019-20 had announced as follows:

“It is time to take our capital markets closer to the masses and meet various social welfare objectives related to inclusive growth and financial inclusion. I propose to initiate steps towards creating an electronic fund raising platform- a social stock exchange-under the



regulatory ambit of Securities and Exchange Board of India for listing social enterprises and voluntary organizations working for the realization of a social welfare objective so that they can raise capital as equity, debt or as units like a mutual fund.”

Indian capital markets have been witnessing increasing growth and with time, have become more matured, modernized and integrated. At the same time, markets are getting increasingly more complex with the emergence of new products, tech-enabled processes and increasing global integration.

Events like COVID-19 presented new challenges in terms of ensuring operational resilience and appropriate risk management for smooth functioning of the capital markets. Social Stock Exchange (SSE) will aim at mitigating the economic damage caused by Covid-19 pandemic and this will need Social capital to rebuild the livelihoods of the people affected due to pandemic. Social Stock Exchange will aim at addressing the pressing problem, as it will unlock the large pools of social capital and enabling commercial capital to partner with Social capital.

The Social Stock Exchange initiative has played a key part in raising awareness with capital markets globally on sustainability issues, and in assisting members to transform their initiatives to include the SDGs in addition to the initial ESG imperatives.

Keeping in view the aforesaid developments, it is proposed to SEBI to amend the ICDR and LODR Regulations, specifically in relation to the following two aspects:

- a) Proposal to authorizing Cost Accountants in practice and their firms who have qualified in the certification program conducted by National institute of Securities Market to be included in the definition of social auditor, to audit and issue of annual impact report as per Regulation 91E of LODR.
- b) Proposal to include Cost Accountant in the Social stock exchange governing council as per Regulation 292D of ICDR read with SEBI circular issued on October 13,2022.

Why this Technical Guide

Presently, the ICDR and LODR Regulations prescribe that audit/verification and the issue of annual report in relation to social stock exchange would be done by an Individual registered with self-regulatory organization under the “Institute of Chartered Accountants of India ” or such other agency as maybe specified by the board who has qualified a certification program conducted by National institute of Securities Market and holds a valid certificate.

Now the SEBI has proposed to include “Statutory Cost Auditor” or “Independent Cost Accountant” or “Firm of Independent Cost Accountants” that holds a valid certificate under the certification program conducted by National institute of Securities Market.

Applicability

The Technical Guide on Social Stock Exchange, as issued by the Institute, is applicable to the following stakeholders, subject to the overriding applicability of ICDR/LODR Regulations in respect of the Inclusion of social enterprises, instruments issued etc.:

- a) Not for Profit Organisations or For Profit Social enterprise satisfying the eligibility criteria for being identified as Social Enterprise in compliance with the provisions of ICDR Regulations.
- b) “Statutory Cost Auditor” or “Independent Cost Accountant” or “Firm of Independent Cost Accountants” that holds a valid certificate under the certification program conducted by National Institute of Securities Market in compliance with the provisions of ICDR Regulations.

Notes:

1. *This Technical Guide shall not be applicable to for profit conventional enterprises, corporate foundations, political or religious organization, professional or trade associations, infrastructure housing companies except affordable housing.*
2. *For the purpose of this Technical Guide, the terms “Statutory Cost Auditor” or “Independent Cost Accountant” or “Firm of Independent Cost Accountants” that holds a valid certificate under the certification program conducted by National Institute of Securities Market, shall be hereinafter collectively referred to as “CMAs in Practice”.*

Important Appendices

- Brief extracts of the relevant provisions under Chapter XA of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2022 are given in Appendix-I.
- Framework of Social Stock Exchange as issued by SEBI dated September 19,2022 are given in Appendix –II.
- Relevant provisions under Regulation 92 of LODR 2022 are given in Appendix III.
- Brief notes on Social Audit Standards as issued by the Institute of Chartered Accountants of India are given in Appendix-IV.
- Guidance note on disclosure requirement



Chapter 2

Social Stock Exchange (SSE)

What is SSE

Social Stock Exchange (SSE) is an electronic fundraising platform that allows investors to buy shares in a social enterprise that has been vetted by the recognized stock exchange. Social enterprises include a revenue-generating business whose primary objective is to achieve a social objective. The social enterprises will have to engage itself in an eligible activity which includes eradicating hunger, poverty, malnutrition and inequality; promoting healthcare, supporting education, employability and livelihoods; gender equality empowerment of women, communities; and supporting incubators of social enterprise.

‘Social Enterprise’ as an enterprise that is engaged in the business of ‘creating positive social impact’.

Social Enterprises (SE), eligible to participate in SSE, shall be entities (Non – Profit Organization- NPO and For-Profit Social Enterprise (FPE) having social intent and impact as their primary goal. The primacy is to be determined through application of the following filters:

- SE should be engaged in at least one of the 17 broad eligible activities as specified in Chapter XA of ICDR.
- SE should target underserved or less privileged population segments or regions.
- SE shall have at least 67% of the immediately preceding three years of its activities qualifying as eligible activities to the target population either as revenue or expenditure or target population.
- members of the target population to whom the eligible activities have been provided constitute at least 67% of the immediately preceding 3-year average of the total customer base and/or total number of beneficiaries.

Social Stock Exchange refers to a separate segment of a recognized stock exchange having nationwide trading terminals permitted to register Not for Profit Organizations and/ or list the securities issued by Not-for-Profit Organizations in accordance with provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Types of Social Enterprises

The following types of Social Enterprises are covered by the regulatory framework: -

- a) NPOs seeking to merely get registered with SSEs;
- b) NPOs seeking to get registered with SSEs and raise funds through the SSE; and
- c) “For-Profit Social Enterprises” (FPOs) seeking to be identified as a Social Enterprise in accordance with the provisions of this Chapter X-A.

Need For Social Stock Exchange

- a) Social Stock Exchange (SSE) will aim at mitigating the economic damage caused by Covid-19 pandemic and this will need Social capital to rebuild the livelihoods of the people affected due to pandemic.
- b) SSE's would help improve visibility and knowledge, among all stakeholders, especially funders, issuers and customers about the contributions of social enterprises to the economy.
- c) They would also establish procedures to standardize social finance transactions, build awareness about the needs and challenges of this sector and develop social capital.
- d) These stock exchanges would bridge the funding gap for social enterprises.
- e) Create the necessary social investment ecosystem for enterprises and investors, whose objective is to generate maximum positive social impact and place environmental, social and governance (ESG) features within the pursuit of profits and growth.

Rationale behind SSE

At present, India has a number of conduits through which the social sector is receives funding. These are both new (CSR, Impact investing, Socially Responsible Investing or SRI) and old (philanthropy, government agencies) and they work to varying degrees of effectiveness. Enabling these diverse channels to come together on a common platform and introducing uniform frameworks in reporting, measurement and standards can represent an important step forward in development of this sector. This is where the role of SSE takes precedence. The SSE lists funding channels for the social sector, and offers a set of procedures that act as a filter, letting in only those organisations that are creating measurable social impact and reporting such impact.

Social Stock Exchanges (SSEs) have emerged in recent times as institutions that propose to address some of these challenges and bridge the gap between the social sector and private capital.

SSEs act as a link between social entrepreneurs in need of capital and investors prepared to put their money into them. SSE is a platform enabling social entrepreneurs to trade their shares after going through checks, financial and social audits.

Currently, not for profit organisations in India face several challenges when it comes to securing funds in order to execute projects. Institutional funding, such as foreign donations or CSR grants, are typically directed towards larger not for profit organisations.

Further, non-tax-deductible donations are generally permitted to be spent only on programmes and not organisational development, and tax-deductible donations are few and small in size.

The SSE will enable the routing of grants to nonprofits in a variety of ways, and help aggregate donations from multiple individual donors.

Entities that can participate in SSE

“Not for Profit Organisation” has been defined to mean a Social Enterprise which is any one of the following entities: -

- i) a charitable trust registered under the Indian Trusts Act, 1882;
- ii) a charitable trust registered under the public trust statute of the relevant state;
- iii) a charitable society registered under the Societies Registration Act, 1860;
- iv) a company incorporated under Section 8 of the Companies Act, 2013;
- v) any other entity as may be specified by the Board (SEBI)

A Not for Profit Organization shall mandatorily seek registration with social stock exchange. The NPO has an option to raise funds through the social stock exchange. In order to be eligible to be listed in SSE the NPO must satisfy the following criteria:

Broad Parameter	Indicator	Detail's
Legal Requirements		
Entity is registered as an NPO	Registration certificate valid at least for next 12 months at the time of seeking registration with SSE	Entities must be registered in India as one of the below: <ul style="list-style-type: none"> a. a charitable trust registered under the public trust statue of the relevant state; b. a charitable trust registered under the Societies Registration Act, 1860. c. a charitable trust registered under the Indian Trusts Act, 1882. d. a company incorporated under section 8 of the Companies Act, 2013.

Broad Parameter	Indicator	Detail's
Ownership and control	Governing document (MoA & AoA / Trust Deed / Bye-laws Constitution)	Disclosure if NPO is owned and/or controlled by government or private
Exemption under Income Tax Act	Registration Certificate under section 12A/12AA/12AB under Income Tax Act, 1961	Registration Certificate under section 12A/12AA/12AB to be valid for at least the next 12 months. Does not have a notice or ongoing scrutiny by Income Tax.
Registration with Income Tax as an NPO	IT PAN	Valid IT PAN
Age of the NPO	Registration certificate	Minimum 3 years
Deduction under Income Tax Act, 1960	Valid 80 G registration number Income Tax Act, 1961.	Entity to ensure whether tax deduction is available or not to investors.
Eligible to be Social Enterprise	Requirements with Regulation 292E of ICDR Regulations	As may be specified by SSE
Minimum Fund Flows		
Annual Spending in the past financial year	Receipts or payments from Audited accounts/ Fund Flow Statement	Must be at least Rs. 50 lakhs
Funding in the past financial year	Receipts from Audited accounts/ Fund Flow Statement	Must be at least Rs. 10 lakhs

Eligible Investors in SSE

Only Institutional Investors and Non- Institutional investors shall have access to the SSE.

In this connection, the following may be noted: -

- a) The term “Institutional Investor” has been defined in the ICDR regulations to mean:
 - i. Qualified Institutional Buyer or
 - ii. Family Trust or Intermediaries registered with SEBI, with net worth of Rs. 500 Crores or more, as per the last audited financial statements, for the purposes of listing and / or trading in the Innovators Growth Platform in terms of Chapter X.
- b) The term “Non-Institutional Investor” means an investor other than a retail individual investor and Qualified Institutional Buyer.
- c) The term “Qualified Institutional Buyer” shall have the meaning assigned to the term in Regulation 2 (1) (ss) of the ICDR regulations.
- d) Retail Individual Investors (individual investors who apply or bid for specified securities for a value of not more than Rs. 2 lakhs) are not eligible to have access to the SSE.
- e) SEBI may permit other classes of investors, as it deems fit, for the purpose of accessing SSE.

Activities permitted and Qualifying Eligible activities

NPO or For profit Social enterprise is to establish the primacy of social intent and in order for the same must meet the eligibility criteria by engaging in the specified list of activities as enlisted in Regulation 292E.

The Social enterprise is to have atleast 67% of its activities qualifying as eligible activities in the immediately preceding three years with respect to average revenue or average expenditure or members of the target population in terms of customer base or beneficiaries

Modes/ Means of raising funds by Social Enterprises

With the introduction of Social Stock Exchange (SSE), Social Enterprises (SE) will have augmented exposure to the traditional Financial Markets thereby curtailing the funding constraint faced by them to a larger extent. Such enterprises may raise funds on a Social Stock Exchange (SSE), as under

Not-For-Profit Organizations	For-Profit Social Enterprises
<ol style="list-style-type: none"> 1. Issuance of Zero Coupon Zero Principal Instruments for specific project or activity which should be completed within the duration specified in the fundraising document and subject to such specific project or activity coming under the purview of the list of eligible activities. 2. Donations through Mutual Funds Schemes. 3. Any other Board specified means. 	<ol style="list-style-type: none"> 1. Issuance of Equity shares on the main board, SME platform, or innovators growth platform or issuing equity shares to an Alternative Investment Fund including a Social Impact Fund. 2. Issuance of Debt Securities. 3. Any other Board Specified mean.

A zero coupon zero principal bond [ZCZP]

By law, NPO face restrictions on their ability to raise money through traditional financing instruments such as debt and equity. Despite that, there is an opportunity to unlock funds by listing zero coupon zero principal bonds on the SSE.

These bonds will carry a tenure equal to the duration of the project that is being funded, and at tenure, they will be written off the investee’s books. They are particularly well-suited to investors who are looking to create social impact but do not wish to have their funds returned to them. Investors will be keen to channel funds only to credible and legitimate nonprofits, which the SSE will ensure by requiring minimum reporting standards by nonprofits.

Procedure for issuing instruments in SSE

- (a) The NPO proposing to issue ZCZP shall file the draft fund raising document accompanied by the prescribed fees and an application for in-principle listing of its ZCZP instruments on the SSE;
- (b) The draft fund raising document shall be hosted and be made available on the website of the SSE for a period of at least 21 days for public comments;
- (c) The SSE shall communicate its observations on the draft fund raising document to the NPO within 30 days of filing of draft fund raising document or receipt of clarification, if any, sought by the SSE from the NPO, whichever is later;
- (d) The NPO shall incorporate the observations of the SSE in the draft fund raising document and file the final fund raising document with the SSE prior to the opening of the issue.



As an alternative to public issue of ZCZP, a NPO may also privately issue ZCZP to Social Impact Fund(s) registered under the applicable provisions of the SEBI Alternate Investments Funds Regulations, 2012. In such cases, the provisions relating to public issuance of ZCZP shall mutatis mutandis apply to private issuance of ZCZP.

The other conditions relating to issue of ZCZP instruments are stipulated as under: -

- (a) ZCZP instruments shall be issued in dematerialised form only.
- (b) The minimum issue size shall be Rs. 1 Crore.
- (c) The minimum application size shall be Rs. 2 lakhs.
- (d) The SSE shall maintain the details of the allotment pursuant to issue of ZCZP by a NPO.
- (e) The regulations provide for the achievement of Minimum Subscription of 75% of the funds proposed to be raised by the issue of ZCZPs by NPOs and in case of non-achievement of at least 75% of the funds proposed to be raised, the funds collected shall be refunded.
- (f) In case of any under subscription, the NPO shall, in the fund raising document, provide details on the following:
 - (i) manner of raising balance capital in case of such under subscription between 75% and 100%;
 - (ii) possible impact on achieving the social objective(s) in case such under subscription is not arranged.
- (g) The SSE shall specify the additional norms with respect to the issue procedure which deals with Agreements with depositories, banks, RTA etc. as also ASBA related matters, duration of the issue, allocation methodology and other ancillary matters.

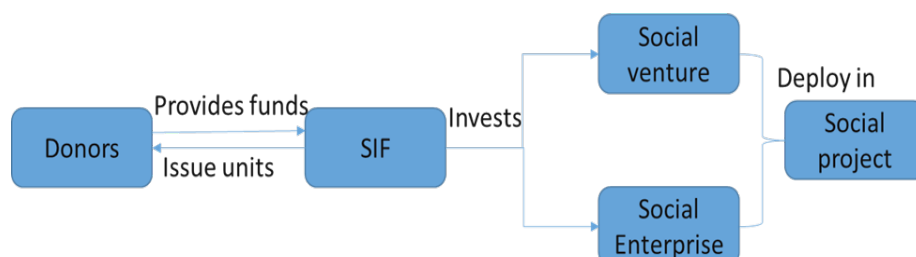
Social Impact Fund (“SIF”)

The security permitted to be issued by the SIF is “social units”, which has been defined under the Regulations to mean the units issued by SIF to investors who have agreed to receive only social returns or benefits and no financial returns against their contribution.

Further, amendments have been brought into the existing Regulations to the effect that –

- a) Minimum corpus requirement for SIF shall be Rs. 5 crores instead of Rs. 20 crores
- b) For SIFs investing only in securities of NPOs registered as SE, the minimum application size for an individual investor shall be Rs. 2 lacs, instead of Rs. 1 crore

- c) Minimum value of grant that may be accepted by such SIF has been reduced to Rs. 10 lacs from the existing Rs. 25 lacs.



Governing Council for SSE

SSE will be a separate section within a recognised Stock Exchange. As per Regulation 292D, every SSE shall constitute a Social Stock Exchange Governing Council (SGC), whose main function shall be to have an oversight on the functioning, with composition and terms of reference as specified by the Board of the SSE.

The governing council is to be constituted prior to seeking final approval from SEBI for introduction of SSE as a separate segment.

It is further provided in the regulations that the composition and terms of reference for such governing council shall be specified by SEBI from time to time.

Composition of Social Stock Exchange Governing Council (SGC)

- SGC shall comprise of individuals with relevant expertise as specified in the circular issued by SEBI on October 13, 2022 with balanced representation from various categories of shareholders who can contribute to the development of SSE.
- It will have a minimum of 7 members.
- SGC shall be supported by the administrative staff from the SSE.
- The procedure, guidelines, frequency and quorum for meetings by SGC shall be prescribed by the board of stock exchange.
- A minimum requirement of 4 meetings in a financial year is to be held by the SGC.

Responsibilities of SGC

SGC is expected to provide the necessary guidance and oversight for the smooth functioning of the operations of the SSE with respect to registration, fund raising and disclosure by the social enterprise which involves



- a) Providing expertise towards development of SSE including growth of registration/ listing of social enterprises and number of investors.
- b) Laying down procedure for onboarding and listing and overseeing listing function of SSE.
- c) Oversight on adequacy of disclosures by SSE and imposition of necessary systems and processes.
- d) Review functioning of SSE.
- e) Such other matter in relation to the governance and development of SSE.

Ineligibility to raise funds through SSE

Social enterprise will not be eligible to register or raise funds through SSE if

- a) if the Social Enterprise, any of its promoters, promoter group or directors or selling shareholders or trustees are debarred from accessing the securities market by SEBI and the period of debarment is still continuing;
- b) if any of the promoters or directors or trustees of the Social Enterprise is a promoter or director of any other company or Social Enterprise which has been debarred from accessing the securities market by SEBI and the period of debarment is still continuing;
- c) if the Social Enterprise or any of its promoters or directors or trustees is a wilful defaulter or a fraudulent borrower;
- d) if any of its promoters or directors or trustees is a fugitive economic offender;
- e) if the Social Enterprise or any of its promoters or directors or trustees has been debarred from carrying out its activities or raising funds by the Ministry of Home Affairs or any other ministry of the Central Government or State Government or Charitable Commissioner or any other statutory body.

Termination of ZCZP instruments from SSE

Under the following circumstances, the listing of the ZCZP instruments on the SSE shall terminate: -

- a) The object for which the funds were raised has been achieved and a certificate to this effect is submitted to the SSE; or
- b) The tenure to achieve the object for which the funds were raised as provided in the fundraising document has expired.

How can social businesses benefit from the SSE?

Since for-profit organisations are legally able to raise funds through the equity route, they would list equity on the SSE, subject to the minimum reporting standards. Additionally, certain eligibility conditions that SEBI has for non-social businesses would also be applicable, such as minimum net worth or average operating profit.

While the minimum reporting standard can be an effective tool to determine whether an organisation is actually creating positive social impact, the association of social businesses with the SSE must not be based only on self-reporting.

Regulation 92E of LODR requires social enterprises to submit an annual impact report which is to be duly audited by a Social Auditor to the Social Stock Exchange or the Stock Exchange in the format specified by the Board from time to time.

This is crucial to identify and allow only those social businesses that are genuinely creating social impact to be associated with the SSE.

Chapter 3

Disclosure Requirement

DISCLOSURE REQUIREMENTS OF SOCIAL ENTERPRISES/ FOR-PROFIT SOCIAL ENTERPRISE/ NOT FOR PROFIT ORGANIZATION:

The introduction of Social Stock Exchange (SSE) has opened new doors for the Social Enterprises (SE) to get themselves listed and explore the traditional financial markets by raising funds on recognized platform of the Board but this also brings a chain of enhanced disclosure requirements to be complied with by these Social Enterprises (SE).

Social enterprises that seek to raise funds through SSE, need to report under minimum reporting standard. This reporting requirement will help the stakeholders of the report to capture the performance of these organizations and to check whether they are genuinely working towards creating social impact.

Apart from the disclosures on general, governance and financial aspects (which differ for NPOs and FPEs), both the FPE and the NPO, once they have their securities listed (or once the NPO has registered with an exchange but chooses not to list), will have to produce an Annual Impact Report (AIR). This report is to capture the qualitative and quantitative aspects of the social impact generated by the entity, and where applicable, that generated by the project or solution the security is meant to fund.

Disclosure Norms:

- **Not-For-Profit Organizations**

- 1) Annual disclosures on the General aspects, Governance aspects and Financial aspects within 60 days from the end of the financial year or within Board specified period
- 2) Furnish a Statement of Utilization of Funds on a quarterly basis viz within 45 days from the end of the quarter, till the time issue proceeds have been fully utilized or stated purpose has been achieved
- 3) A listed NPO shall submit to the SSE a statement on quarterly basis with respect to amounts raised, amounts utilised and the balance amount remaining unutilised.
- 4) The regulations further provide that: -
 - i) the unutilised amount shall be kept in a separate account and shall not be mixed with other accounts and

- ii) the said quarterly statement shall be furnished to the SSEs till the proceeds have been fully utilised or the purpose for which they were raised has been achieved.

- **For-Profit Social Enterprises**

Compliance with the disclosure requirements specified in the ICDR pertaining to the issuers whose specified securities are listed on the Main Board or the SME Exchange or the Innovators Growth Platform, as the case may be.

- **Social Enterprises**

- 1) Disclose any event that may materially impact their planned achievement of outputs or outcomes to the Social Stock Exchange(s) or Stock Exchange(s) where it is registered or has its specified securities listed, maximum within seven days or within Board specified period from the occurrence of such events.
- 2) Submit an Annual Impact Report (AIR) capturing the qualitative and quantitative aspects of the social impact generated by the entity including the impact generated by the project or solution for which funds have been raised in Board specified format, duly audited by a social audit firm employing a social auditor.
- 3) In case of NPO which is registered but not listing in SSE the AIR must cover the significant activities, programs, projects during the year and methodology for determination of significance is to be explained
- 4) AIR is required to be furnished within 90 days from the end of the financial year

Minimum Aspects to be covered in AIR

The AIR should at a minimum, cover the aspects described below.

a) Strategic Intent and Planning

- i. What is the social or environmental challenge the organization and/or the instrument listed is addressing? Has this changed in the last year?
- ii. How is the organization attending to the challenge or planning to attend to the challenge? Has this changed in the last year?
- iii. Who is being impacted (target segment)? Has this changed in the last year?
- iv. What will be the outcomes of the activities, intervention, programs or project? Disclosure should include positive and potential unintended negative outcomes.

b) Approach

- i. What is the baseline status / situation analysis / context description at the start of the activity/intervention/programs or project and at the end of the last reporting period?
- ii. What has been the past performance trend? (if relevant)?
- iii. What are the solution implementation plan and the measures taken for sustainability of activity/intervention/programs or project outcomes? Has there been any material change in your implementation model in the last one year?
- iv. Please brief out alignment of solution to Sustainable Development Goals (SDGs)/ national priorities/state priorities/ developmental priorities.
- v. How have you taken into consideration stakeholder feedback in this reporting period?
- vi. In the last year, what have you seen as the biggest risks to the achievement of the desired impact? How are these being mitigated?

c) Impact Score Card

- i. What are the metrics monitored and what has been the trend?
- ii. Briefly include narratives of impact on target segment(s) in the reporting period.
- iii. Beneficiary/Stakeholder Validation through surveys and other feedback mechanisms

How can the SSE ecosystem be strengthened?

To sustain and grow the flow of funds through the SSE, a multi-dimensional policy intervention is required. Some recommendations by the working group constituted by SEBI:

1. Develop new sector-level infrastructure

The SSE should play a key role in building the social sector ecosystem, by promoting institutions such as information repositories, which will provide credible and standardised information on nonprofits and help players on the SSE access a diverse range of nonprofits. The SSE should also encourage the setting up of a self-regulatory organisation (SRO) that will bring together existing information repositories to meet the above ends.

Over time, the SSE should encourage the engagement of social auditors, which will perform independent verification of impact reporting.

2. Provide capacity building support for reporting requirements

To support nonprofits in enhancing reporting capabilities, the SSE should set up a capacity building fund of about INR 100 crore to bear some of the costs of increased reporting requirements. The fund should prioritise support to smaller organisations.

3. Encourage CSR funding on the SSE

Funding to nonprofits through the SSE should count towards CSR commitments of companies, including expenditure on building capacities of nonprofits for the SSE. The Ministry of Corporate Affairs could also authorise the trading of CSR spends between companies with excess CSR spends and those with deficit CSR spends, on the SSE. Allowance of CSR capital to be parked into an escrow account for a period of 3 years

4. Enable foreign investments

Foreign entities should be allowed to invest in SVFs listed on the SSE, as investors would not be taking decisions for the investee nonprofit, nor have any discretion on deployment of their funds. The rules under the Foreign Contributions (Regulation) Act (FCRA) would need to be clarified to enable this.

5. Introduce tax and fiscal incentives

India's tax and fiscal policies should be amended to encourage participation in the SSE.

For donors

- Allowing the donors to claim 100% as tax exemption for their donations under 80G to all nonprofits that benefit from the SSE. Currently, donations to private nonprofits with 80G certification can get only 50 percent tax deduction, whereas donations to government entities are eligible for 100 percent.
- Allow all investments in securities or instruments of nonprofits listed on SSE to be tax deductible.
- Exempt investors from paying Securities Transaction Tax for trades made on SSE
- Remove the 10 percent cap on income eligible for deduction under 80G.



- Allow first time retail investors to avail a 100 percent tax exemption on their investments in mutual funds under the SSE, subject to an overall limit of INR 1 lakh. There is a precedent for this through the 80CCG section of the IT Act.
- Allow corporates to deduct CSR expenditure that goes to the SSE from their taxable income.

For nonprofits and social businesses

- Allow a tax holiday of five years to social businesses listed on the SSE, from the time of first listing.
- Fast-track the process of getting 12A, 12AA, and 80G for nonprofits doing social and financial reporting.
- Increase the limits under the Income Tax Act on charitable institutions raising funds from commercial or semi-commercial activities to 50 percent from the current 20 percent. This would help nonprofits become more sustainable.
- Re-evaluate the current budget proposal to make renewal of registration under 80G periodic.

For the SSE

- Allow the revenue generated by stock exchange through SSE to be tax deductible.

Different aspects of SSE

- There is no Lock-in or minimum period between registration of any NPO and raising of funds from the market.
- There is no requirement of merchant banker for preparing the draft fund – raising document.
- A period of 6 months is there as validity period for the observations issued by SSE on the draft fund-raising document.
- Funds raised by the NPO shall be in the form of a grant and not in the form of Loan.
- Trading is not permissible in ZCZP, but they can be transferred for other purposes, such as transfer to legal heirs.
- Private placement of Zero Coupon Zero Principal Instruments may be made to any person other than Social Impact Funds registered under SEBI AIFs Regulations.

Guide on Social Stock Exchange (SSE)

- Private Placement of Zero Coupon Zero Principal Instruments issued to Social Impact Funds compulsorily required to be listed on Social Stock Exchange.
- Investor will be treated as donors as per the normal accounting principle.
- Zero Coupon Zero Principal Instruments will not be subject to securities transaction.
- Listed NPO may raise additional funds for the same project through another ZCZP instrument.
- Listed NPO may raise funds for more than one project by issuing multiple ZCZP instruments, one for each project.
- NPOs will be allowed to issue Social Impact Bonds and Development Impact Bonds.
- Registered NPO raised fund outside Social Stock Exchange is required to disclose the details of such funds as a part of Annual Disclosure under LODR.
- Termination of Zero Coupon Zero Principal Instruments equivalent to delisting.

Benefits of SSE to India

- The access to fund is a big issue for the growth and sustainability of social enterprises but this issue can be overcome by bringing investors and social enterprises on a single platform and the solution is social stock exchange.
- SSE will standardize the process to acquire capital from the impact investors and will make the exercise much cheaper for the social enterprises.
- SSE will solve the liquidity issues and thus attract investors.
- Regular compulsory audit of impact that social enterprises create will promote a healthy competition among social enterprises and encourage market discipline.
- It is proposed that SSE will work under the Securities and Exchange Board of India. Establishment of SSE will help the impact investments market in India to become a more regulated capital market.
- When impact investment becomes more accessible to social enterprises through SSE, capital flow into sustainable development would increase which will reduce the burden on the Government.

Role & Responsibilities of the CMAs in Practice

Roles and Responsibilities of the CMAs in Practice has been elaborated by the Institute and is regularly updated through its website, that are available at [Ihttps://icmai.in/](https://icmai.in/)



ProfessionalDevelopment/Prof_Avenues.php.

- CMA can play a very pivotal role in the successful implementation of SSE's.
- Audit of SSE's is to be done by the Social Auditor in accordance with SEBI Guidelines.
- Till date there is not any specified set of guidelines as to whether a CMA can be appointed as a Social Auditor or not.
- SEBI will decide who all can be the social auditors.
- Self-regulatory organization (SRO) will make norms for their empanelment and regulation.
- CMAs are having adequate Professional skills and competence in the areas of Finance, Laws, Management, Audit etc can play a pivotal role in the successful implementation of SSE's.

Appendix-I

RELEVANT EXTRACTS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) (THIRD AMENDMENT) REGULATIONS, 2012

The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2012 were notified on 25th July, 2012.

Applicability

These regulations of Chapter XA apply to the following:

- (a) Not for Profit Organization seeking to only get registered with a Social Stock Exchange;
- (b) Not for Profit Organization seeking to get registered and raise funds through a Social Stock Exchange;
- (c) For Profit Social Enterprise seeking to be identified as a Social Enterprise under the provisions of this Chapter.

Chapter Plan

ICDR Regulations 2018 has been divided into following Chapters and Schedules:

- Chapter I - Preliminary
- Chapter II - Initial Public Offer on Main Board
- Chapter III - Rights Issue
- Chapter IV - Further Public Offer
- Chapter V - Preferential Issue
- Chapter VI - Qualified Institutions Placement
- Chapter VII - Initial Public Offer of Indian Depository Receipts
- Chapter VIII - Rights Issue of Indian Depository Receipts
- Chapter IX - Initial Public Offer by Small and Medium Enterprises
- Chapter X - Innovators Growth Platform
- Chapter XA - Social Stock Exchange
- Chapter XI - Bonus Issue



- Chapter XII - Miscellaneous
- Schedule I - Lead Managers' Inter-Se Allocation of Responsibilities
- Schedule II - Contents of Agreement between Lead Manager(s) and Issuer
- Schedule III - Fees to be Paid along with Draft Offer Document/ Draft Letter of Offer or Offer Document
- Schedule IV - Filing of Offer Documents with the Board
- Schedule V - Formats of Due Diligence Certificates
- Schedule VI - Disclosures in the Offer Document, Abridged Prospectus and Abridged Letter of Offer
- Schedule VII - Disclosures in a Placement Document
- Schedule VIII - Disclosures in Offer Document and Abridged Prospectus and Letter of Offer for Issue of Indian Depository Receipts
- Schedule IX - Public Communications and Publicity Materials
- Schedule X - Formats of Advertisements for a Public Issue
- Schedule XI - Format of Report to be Submitted by the Monitoring Agency
- Schedule XII - Mandatory Collection Centres
- Schedule XIII - Book Building Process
- Schedule XIV - Illustration Explaining the Procedure of Allotment
- Schedule XV - Format of Report for Green Shoe Option
- Schedule XVI - Nature of Changes in the Offer Document requiring filing of Updated Offer Document
- Schedule XVII - Formats of Post-Issue Reports
- Schedule XVIII - Format of Underwriting Devolvement Statement
- Schedule XIX - Listing of Securities on Stock Exchanges
- Schedule XX - Conditions/ Manner of Providing Exit Opportunity to Dissenting Shareholders

Important Definitions

292A In this Chapter, unless the context otherwise requires,—

- (a) “draft fund raising document” means the draft fund raising document filed with a Social Stock Exchange in relation to a public issue of Zero Coupon Zero Principal Instruments by a Not for Profit Organization registered with the Social Stock Exchange;
- (b) “final fund raising document” means the final fund raising document filed with the Social Stock Exchange pursuant to incorporation of observations issued in respect of the draft fund raising document by the Social Stock Exchange;
- (c) “For Profit Social Enterprise” means a company or a body corporate operating for profit, which is a Social Enterprise for the purposes of these regulations and does not include a company incorporated under section 8 of the Companies Act, 2013 (18 of 2013);
- (d) “fund raising document” means the draft fund raising document and the final fund raising document;
- (e) “Not for Profit Organization” means a Social Enterprise which is any of the following entities:
 - (i) a charitable trust registered under the Indian Trusts Act, 1882 (2 of 1882);
 - (ii) a charitable trust registered under the public trust statute of the relevant state;
 - (iii) a charitable society registered under the Societies Registration Act, 1860 (21 of 1860);
 - (iv) a company incorporated under section 8 of the Companies Act, 2013 (18 of 2013);
 - (v) any other entity as may be specified by the Board;
- (f) “Social Auditor” means an individual registered with a self-regulatory organization under the Institute of Chartered Accountants of India or such other agency, as may be specified by the Board, who has qualified a certification program conducted by National Institute of Securities Market and holds a valid certificate;
- (g) “Social Audit Firm” means any entity which has employed Social Auditors and has a track record of minimum three years for conducting social impact assessment;
- (h) “Social Enterprise” means either a Not for Profit Organization or a For Profit Social Enterprise that meets the eligibility criteria specified in this Chapter;
- (i) “Social Stock Exchange” means a separate segment of a recognized stock exchange having nationwide trading terminals permitted to register Not for Profit Organizations and / or list the securities issued by Not for Profit Organizations in accordance with



provisions of these regulations.

Applicability of the Chapter.

292B The provisions of this Chapter shall apply to:

- (a) Not for Profit Organization seeking to only get registered with a Social Stock Exchange;
- (b) Not for Profit Organization seeking to get registered and raise funds through a Social Stock Exchange;
- (c) For Profit Social Enterprise seeking to be identified as a Social Enterprise under the provisions of this Chapter.

Access to Social Stock Exchange.

292C A Social Stock Exchange shall be accessible only to institutional investors and non-institutional investors:

Provided that the Board may permit other classes) of investors, as it deems fit, for the purpose of accessing Social Stock Exchange.

Social Stock Exchange Governing Council.

292D

- (1) Every Social Stock Exchange shall constitute a Social Stock Exchange Governing Council to have an oversight on its functioning.
- (2) The composition and terms of reference for such Governing Council shall be specified by the Board from time to time.

Eligibility conditions for being identified as a Social Enterprise.

292E

- (1) For the purposes of these regulations, a Not for Profit Organization or a For Profit Social Enterprise, to be identified as a Social Enterprise, shall establish primacy of its social intent.
- (2) In order to establish the primacy of its social intent, such Social Enterprise shall meet the following eligibility criteria:-
 - (a) the Social Enterprise shall be indulged in at least one of the following activities:
 - (i) eradicating hunger, poverty, malnutrition and inequality;
 - (ii) promoting health care including mental healthcare, sanitation and making

- available safe drinking water;
- (iii) promoting education, employability and livelihoods;
 - (iv) promoting gender equality, empowerment of women and LGBTQIA+ communities;
 - (v) ensuring environmental sustainability, addressing climate change including mitigation and adaptation, forest and wildlife conservation;
 - (vi) protection of national heritage, art and culture;
 - (vii) training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;
 - (viii) supporting incubators of Social Enterprises;
 - (ix) supporting other platforms that strengthen the non-profit ecosystem in fundraising and capacity building;
 - (x) promoting livelihoods for rural and urban poor including enhancing income of small and marginal farmers and workers in the non-farm sector;
 - (xi) slum area development, affordable housing and other interventions to build sustainable and resilient cities;
 - (xii) disaster management, including relief, rehabilitation and reconstruction activities;
 - (xiii) promotion of financial inclusion;
 - (xiv) facilitating access to land and property assets for disadvantaged communities;
 - (xv) bridging the digital divide in internet and mobile phone access, addressing issues of misinformation and data protection;
 - (xvi) promoting welfare of migrants and displaced persons;
 - (xvii) any other area as identified by the Board or Government of India from time to time
- (b) the Social Enterprise shall target underserved or less privileged population segments or regions recording lower performance in the development priorities of central or state governments;
 - (c) the Social Enterprise shall have at least 67% of its activities, qualifying as eligible



activities to the target population, to be established through one or more of the following:

- (i) at least 67% of the immediately preceding 3-year average of revenues comes from providing eligible activities to members of the target population;
 - (ii) at least 67% of the immediately preceding 3-year average of expenditure has been incurred for providing eligible activities to members of the target population;
 - (iii) members of the target population to whom the eligible activities have been provided constitute at least 67% of the immediately preceding 3-year average of the total customer base and/or total number of beneficiaries.
- (3) Corporate foundations, political or religious organizations or activities, professional or trade associations, infrastructure and housing companies, except affordable housing, shall not be eligible to be identified as a Social Enterprise.

Requirements relating to registration for a Not for Profit Organization.

292F

- (1) A Not for Profit Organization shall mandatorily seek registration with a Social Stock Exchange before it raises funds through a Social Stock Exchange: Provided that a Not for Profit Organization may choose to register on a Social Stock Exchange and not raise funds through it.
- (2) The minimum requirements for registration of a Not for Profit Organization on a Social Stock Exchange shall be specified by the Board from time to time.
- (3) The Social Stock Exchange may specify the eligibility requirements for registration of a Not for Profit Organization in addition to the minimum requirements specified by the Board. Fund raising by Social Enterprises. 292G A Social Enterprise may raise funds through following means:-
 - (a) a Not for Profit Organization may raise funds on a Social Stock Exchange through:
 - (i) issuance of Zero Coupon Zero Principal Instruments to institutional investors and/or non-institutional investors in accordance with the applicable provisions of this Chapter;
 - (ii) donations through Mutual Fund schemes as specified by the Board;
 - (iii) any other means as specified by the Board from time to time.

- (b) A For Profit Social Enterprise may raise funds through:
- (i) issuance of equity shares on the main board, SME platform or innovators growth platform or equity shares issued to an Alternative Investment Fund including a Social Impact Fund;
 - (ii) issuance of debt securities;
 - (iii) any other means as specified by the Board from time to time.

Explanation.—

Securities issued by For Profit Social Enterprises shall be listed and traded under the applicable segment of the stock exchange with an identifier stating that the scrip is that of a For Profit Social Enterprise and such For Profit Social Enterprises shall meet the eligibility criteria for the main board, SME Platform or innovators growth platform, as applicable, in addition to the criteria provided in this Chapter.

Ineligibility for raising of funds.

292H

A Social Enterprise shall not be eligible to register or raise funds through a Social Stock Exchange or Stock Exchange, as the case may be:

- (a) if the Social Enterprise, any of its promoters, promoter group or directors or selling shareholders or trustees are debarred from accessing the securities market by the Board;
- (b) if any of the promoters or directors or trustees of the Social Enterprise is a promoter or director of any other company or Social Enterprise which has been debarred from accessing the securities market by the Board;
- (c) if the Social Enterprise or any of its promoters or directors or trustees is a wilful defaulter or a fraudulent borrower;
- (d) if any of its promoters or directors or trustees is a fugitive economic offender;
- (e) if the Social Enterprise or any of its promoters or directors or trustees has been debarred from carrying out its activities or raising funds by the Ministry of Home Affairs or any other ministry of the Central Government or State Government or Charitable Commissioner or any other statutory body.

Explanation.—



The restrictions under clauses (a) and (b) above shall not apply to the persons or entities mentioned therein, who were debarred in the past by the Board and the period of debarment is already over as on the date of filing of application for registration with the Social Stock Exchange or filing of draft fund raising document or draft offer document, as may be applicable, with the Social Stock Exchange or the Stock Exchange or the Board.

Issuance of Zero Coupon Zero Principal Instruments

292I

- (1) Zero Coupon Zero Principal Instruments shall be issued only by a Not for Profit Organization registered on a Social Stock Exchange and shall have a specific tenure.
- (2) Zero Coupon Zero Principal Instruments shall be issued without any coupon and no principal amount shall be payable on its maturity.

Eligibility for issuance of Zero Coupon Zero Principal Instruments.

292J

- (1) A Social Enterprise which is a Not for Profit Organization registered with a Social Stock Exchange may make an issue of Zero Coupon Zero Principal Instruments and list them on such Social Stock Exchange.
- (2) The Not for Profit Organization may issue Zero Coupon Zero Principal Instruments only for a specific project or activity to be completed within a duration specified in the fund raising document: Provided that the specific project or activity falls under the list of eligible activities specified under regulation 292E of these regulations

Procedure for public issuance of Zero Coupon Zero Principal Instruments by a Not for Profit Organization

292K

- (1) A Not for Profit Organization shall file the draft fund raising document with the Social Stock Exchange where it is registered along with the fees as specified by the Social Stock Exchange and an application seeking in-principle approval for listing of its Zero Coupon Zero Principal Instruments on the Social Stock Exchange: Provided that Social Stock Exchange shall specify the details to be incorporated in the fund raising document: Provided further that the Board shall specify the minimum disclosure requirements in respect of the fund raising document from time to time.
- (2) The draft fund raising document shall be made available on the website of the Social Stock Exchange and the Not for Profit Organization for a period of at least 21 days for

public comments.

- (3) The Social Stock Exchange shall provide its observation on the draft fund raising document to the Not for Profit Organization, within 30 days from the filing of the draft fund raising document or receipt of clarification, if any, sought by the Social Stock Exchange from Not for Profit Organization, whichever is later.
- (4) The Not for Profit Organization shall incorporate the observations of the Social Stock Exchange in draft fund raising document and file the final fund raising document with the Social Stock Exchange prior to opening the issue.

Procedure for private issuance of Zero Coupon Zero Principal Instruments by a Not for Profit Organization

292L

- (1) The Not for Profit Organization registered on a Social Stock Exchange, may also make private issuance of Zero Coupon Zero Principal Instruments to Social Impact Fund(s) registered under the applicable provisions of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations 2012.
- (2) The provisions related to public issuance of Zero Coupon Zero Principal Instruments specified in this Chapter shall mutatis mutandis apply to private issuance of Zero Coupon Zero Principal Instruments to Social Impact Fund(s).

Contents of the fund raising document

292M

- (1) The draft fund raising document and the final fund raising document shall contain all material disclosures which are true and adequate to enable the applicants to take an informed decision.
- (2) Without prejudice to the generality of sub-regulation (1), the draft fund raising document and the final fund raising document shall contain disclosures as may be specified by the Board from time to time: Provided that the Social Stock Exchange may specify additional disclosures in respect of the draft fund raising document and the final fund raising document.

Other conditions relating to issuance of Zero Coupon Zero Principal Instruments

292N

- (1) Zero Coupon Zero Principal Instruments shall be issued in dematerialized form only.



- (2) The minimum issue size shall be rupees one crore.
- (3) The minimum application size shall be rupees two lakhs.
- (4) The minimum subscription required to be achieved shall be 75% of the funds proposed to be raised through issuance of Zero Coupon Zero Principal Instruments.
- (5) In case of any under subscription, the Not for Profit Organization shall, in the fund raising document, provide details on the following:
 - (a) manner of raising balance capital in case of such under subscription between 75% and 100%;
 - (b) possible impact on achieving the social objective(s) in case such under subscription is not arranged: Provided that the funds shall be refunded in case the subscription is less than 75% of the issue size
- (6) The Social Stock Exchange shall maintain the details of the allotment pursuant to issuance of Zero Coupon Zero Principal Instruments by a Not for Profit Organization.
- (7) The Social Stock Exchange shall specify the additional norms in respect of issue procedure including on agreements with depositories, banks, etc., ASBA related matters, duration for public issuance, allocation methodology and any other ancillary matter related to issue procedure. Deemed compliance with Securities Contracts (Regulation) Rules, 1957. 2920 The public issuance of Zero Coupon Zero Principal Instruments by a registered Not for Profit Organization in accordance with these regulations shall be deemed to be in compliance with rule 19 of the Securities Contracts (Regulation) Rules, 1957.

Termination of listing of Zero Coupon Zero Principal Instruments from the Social Stock Exchange

292P

The listing of Zero Coupon Zero Principal Instruments of a Not for Profit Organization on the Social Stock Exchange shall terminate in the following events:

- (a) The object for which the funds were raised has been achieved and a certificate to this effect is submitted to the Social Stock Exchange; or
- (b) The tenure to achieve the object for which the funds were raised as provided in the fund raising document has expired.”

Appendix-II



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/CFD/PoD-1/P/CIR/2022/120

September 19, 2022

To

All Recognized Stock Exchanges

All Recognized Depositories

All Merchant Bankers and Brokers registered with SEBI

All Social Enterprises

All Social Impact Fund registered with SEBI

All Social Audit Firms/ Institute of Chartered Accounts of India

Dear Sir/ Madam,

Sub: Framework on Social Stock Exchange (“SSE”)

1. Vide notification dated July 25 2022, Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2015 (“**ICDR Regulations**”), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”) and Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (“**AIF Regulations**”), were amended to provide a broad framework for Social Stock Exchange.

In terms of the said amendment, a detailed framework on SSE is specified as under:

A. Minimum requirements to be met by a Not for Profit Organization (NPO) for registration with SSE in terms of Regulation 232F of the ICDR Regulations

A NPO desirous of registration on SSE, in terms of Regulation 292F(1) of ICDR Regulations, shall fulfil the following criteria:

Broad Parameter	Indicator	Detail's
Legal Requirements		
Entity is registered as an IN PC	Registration certificate valid at least for next 12 months at the time of seeking registration with SSE	Entities must be registered in India as one of the below. <ol style="list-style-type: none"> a. a charitable trust registered under the public trust statute of the relevant state; b. a charitable trust registered under the Societies Registration Act 1860 c. a charitable trust registered under the Indian Trusts Act, 1882 d. a company incorporated under section 8 of the Companies Act. 2013
Ownership and control	Governing document (MoA & AoA/ Trust Deed/ Bylaws/ Constitution)	Disclose if NPO is owned and/ or controlled by government or private
Exemption under Income Tax Act	Registration Certificate under section 12A/12AA/ 12AB under Income Ta: Act, 1961	Registration Certificate under section 12A/12AA/ 12AB to be valid for at least the next 12 months. Does not have a notice or ongoing scrutiny by Income Tax.
Registration with Income Tax as an NPO	IT PAN	Valid IT PAN
Age of the NPO	Registration certificate	Minimum 3 years
Deduction under Income Tax Act, 1960	Valid 80G registration under Income Tax Act. 1961.	Entity to ensure whether tax deduction is available or not to investors.
Eligible to be Social Enterprise	Requirements with Regulation 292E of ICDR Regulations	As may be specified by SSE

Minimum Fund Flows		
Annual Spending in the past financial year	Receipts or Payments from Audited accounts Fund Flow Statement	Must be at least Rs. 50 lakhs
Funding in the past financial year	Receipts from Audited accounts/Fund Flow Statement	Must be at least Rs. 10 lakhs

B. Minimum Initial Disclosure Requirement for NPOs raising funds through the issuance of Zero Coupon Zero Principal Instruments in terms of Regulation 292K(1) of the ICDR Regulations

(1) SSE under the guidance of SSE Governing Council (SGC) shall mandate the structure of the draft fund raising document/ final fund raising document. SSE shall host such requirements on its website.

(2) SSE shall ensure that the documents contain the following minimum disclosures:

a. Vision

Organisation’s activities, interventions and programmes are in line with aims and objects stated in its constitution.

b. Target Segment

Organisation has defined its target segment and reach to accomplish its planned activities. Clear identification and understanding of the target segment (those affected by the problem and how are they affected) The NPO must disclose how its approach intends to improve Inclusion for its customers / recipients

c. Strategy

Strategy formulation towards accomplishing vision should take into account capabilities and learning from challenges.

d. Governance

Organisation has a governing body and details of its governing body, composition, dates of board meetings held (key items covered).

e. Management

Details of key managerial staff such as those in charge of Programmes, Fundraising, Marketing, Communication, Finance, HR. Organisation



discloses whether it provides letters to staff and volunteers defining roles and responsibilities, has a periodic performance appraisal process etc.

f. Operations

The organisation has a physical existence, is operational and shares its address for visits.

g. Finance

Disclosure of financial statements for last three Financial Years in accordance with guidelines for NPOs issued by Institute of Chartered Accountants of India (ICAI).

h. Compliance

Organisation makes available, annual accounts duly audited for the latest three financial years and there are no material qualifications or material irregularities reported by its auditor. Compliances w.r.t. Income Tax, notices received etc.

i. Credibility

Documents such as Registration, Trust Deed/ MoA and AoA, Address Proof, IT PAN, 12A/12AA/12AB Certificate, FCRA certificate and returns, remuneration to governing members.

j. Social Impact

Details of past social impact in terms of parameters specified in Para D(5) of this circular.

k. Risks

Disclose (i) risks that the NPO sees to its work and how it proposes to mitigate these (ii) unintended consequences that the NPO sees from its work and how it proposes to mitigate these.

C. Annual disclosure by NPOs on SSE which have either raised funds through SSE or are registered with SSE in terms of Regulation 91C of the LODR Regulations

The following disclosures would be made by the NPOs on an Annual Basis (i.e.) within 60 days from end of Financial Year

(1) Disclosures on General aspects:

- i. Name of the organization (legal and popular name)

- ii. Location of headquarters and location of operations
 - iii. Vision / Mission / Purpose
 - iv. Organizational goals, activities, products and services
 - v. Outreach of organization (Type and number of direct, indirect and institutional beneficiaries / stakeholders reached)
 - vi. Scale of operations (Including Employee and Volunteer strength)
 - vii. Details of top donors or investors of organisation - List of Top 5 donors or investors (budget wise)
 - viii. Details of top 5 programs in disclosure period - List of Top 5 interventions/ programs (budget wise)
- (2) Disclosures on Governance aspects:
- i. Ownership and legal form
 - ii. Governance Structure (outlines board and management committee structures, mandates, membership, charters, policies and internal controls)
 - iii. Details of governing body including names of the members of the body
 - iv. Executives with key responsibilities
 - v. Number of meetings by governing body and other committees formed by them along with attendance and the process of performance review
 - vi. Organisation level potential risks and mitigation plan.
 - vii. Reporting of related party transactions.
 - viii. Mechanisms for advice and concerns about ethics, along with conflict of interest and communicating other critical concerns
 - ix. Remuneration Policies
 - x. Stakeholder grievance, process of grievance redressal and number of grievance received and resolved
 - xi. Compliance management process and statement of compliance from senior decision maker
 - xii. Organisation registration certificate and other licenses and certifications (12A, 80G, FCRA, GST, etc.)

- (3) Disclosures on Financial aspects:
 - i. Financial Statement (Balance Sheet, Income statement and Cash Statement). Also program wise fund utilization for the year
 - ii. Auditors report and auditor details
- (4) A guidance note in respect of the above aspects is provided at **Annexure I**.
- (5) SSE may specify additional parameters that may be required to be disclosed by NPO on annual basis.

D. Disclosure of Annual Impact Report by all Social Enterprises which have registered or raised funds using SSE in terms of Regulation 91E of the LODR Regulations

- (1) All Social Enterprises (SEs) will have to provide duly audited Annual Impact Report (AIR) to SSE within 90 days from the end of Financial Year.
- (2) The AIR shall capture the qualitative and quantitative aspects of the social impact generated by the entity and where applicable, the impact that is generated by the project or solution for which funds have been raised on SSE.
- (3) In case an NPO is only registered without listing any security, the AIR must cover the NPO's significant activities, intervention, programs or projects during the year and the methodology for determination of significance must be explained. Additionally, if there is an activity, intervention, program or projects covered under a listed security, it will qualify as a significant activity, intervention, program or project.
- (4) For a Social Impact Fund where the underlying recipients of funds are SEs which have registered or raised funds using SSE, must disclose an overall
- (5) AIR for the fund covering all investee/grantee organizations where the fund is deployed. (5) The AIR should at a minimum, cover the aspects described below.
 - a. Strategic Intent and Planning
 - i. What is the social or environmental challenge the organization and/or the instrument listed is addressing? Has this changed in the last year?
 - ii. How is the organization attending to the challenge or planning to attend to the challenge? Has this changed in the last year?
 - iii. Who is being impacted (target segment)? Has this changed in the last year?

- iv. What will be the outcomes of the activities, intervention, programs or project? Disclosure should include positive and potential unintended negative outcomes.
 - b. Approach
 - i. What is the baseline status / situation analysis / context description at the start of the activity/intervention/programs or project and at the end of the last reporting period?
 - ii. What has been the past performance trend? (if relevant)
 - iii. What is the solution implementation plan and the measures taken for sustainability of activity/intervention/programs or project outcomes?
Has there been any material change in your implementation model in the last one year?
 - iv. Please brief out alignment of solution to Sustainable Development Goals (SDGs)/national priorities/state priorities/ developmental priorities.
 - v. How have you taken into consideration stakeholder feedback in this reporting period?
 - vi. In the last year, what have you seen as the biggest risks to the achievement of the desired impact? How are these being mitigated?
 - c. Impact Score Card
 - i. What are the metrics monitored and what has been the trend?
 - ii. Briefly include narratives of impact on target segment(s) in the reporting period.
 - iii. Beneficiary/Stakeholder Validation through surveys and other feedback mechanisms
- (6) A guidance note in respect of the above aspects is provided at **Annexure II**.
- (7) SSE may specify additional parameters that may be required to be disclosed by SE in its **AIR**.
- (8) The AIR shall be audited by Social Auditors and the SEs shall disclose the report of the Social Auditor along with AIR



E. Statement of utilisation of funds in terms of 91F of the LODR Regulations

1. Listed NPO shall submit statement of utilisation of funds to SSE, as mandated under Regulation 91F of the LODR Regulations, within 45 days from the end of quarter.
2. This circular is issued in exercise of powers conferred by Section 11(1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and shall come into effect immediately.
3. A copy of this circular is available on SEBI website at www.sebi.gov.in under the categories “Legal Framework/Circulars”

Yours faithfully,

Yogita Jadhav
General Manager
Corporation Finance Department
+91 22 2644 9583
Email - yog.tag@sebi.gov.in

Annexure I: Guidance notes for listed/registered NPOs on disclosures of general, governance and financial aspects

General disclosures

1. Name of the organization (legal and popular name):

The reporting organization shall report on the registered name and also any popular names the organization is known by among stakeholders.

2. Location of headquarters and location of operations:

Headquarter refers to the address that the organization has used in registering with respective regulatory body and also the organizations administrative center, from which it is controlled or directed. In case the locations are different, it needs to be specified. Location of operations shall cover the name of the locations where the organization has significant operation. Significant shall be defined to the scope of fund raising document.

3. Vision/Mission/ Purpose:

It is important to understand the intent behind the disclosure and respond accordingly. Purpose in this context is why the organization exists and explaining why the cause taken up by the organization matters. The Mission will explain how the organization is working in the context of the purpose and the Vision in the context of this disclosure will be about where the organization is headed and what the organization will achieve. It is possible that all organizations may not have all the 3 (Vision, mission and purpose) as a stated document.

4. Organizational goals, activities, Products and Services:

The reporting organization shall mention overall objectives of the organization or activity/intervention/programs or project listed. It shall also describe the organization activities, including any products and services which the organization provides.

5. Outreach of organization:

Organization to mention type and number of direct, indirect and institutional beneficiaries / stakeholders reached across different programs and geographies.

6. Scale of operations (Including Employee and Volunteer strength):

The scale of the operations shall be explained by net turn-over/annual budget/annual spent in last 3 years, number of beneficiaries, number of locations of operations and number of employees and volunteers. Total number of employees shall be disclosed

separately as permanent employees, temporary employees and employees on contract. The nature and scale of activities performed by volunteers shall be disclosed. The organization shall disclose the scale of operations either at a national level or at a state or district level as may be useful for stakeholders.

7. Top donors or investors of organisation - List of Top 5 donors or investors (budget wise)

S. No.	Donor or investor	Geography	Total Program Cost	Expenditure in current year (INR)	Comulative Expenditure (INR)	Total out-reach (Direct, Indirect, Institutional)	SDG Goal or Target	Alignment with National/State Schemes or Priority
1.								
2.								

8. Details of top 5 programs in disclosure period - List of Top 5 activities/intervention/ programs/project (budget wise)

S. No.	Donor or investor	Geography	Total Program Cost	Expenditure in current year (INR)	Comulative Expenditure (INR)	Total out-reach (Direct, Indirect, Institutional)	SDG Goal or Target	Alignment with National/State Schemes or Priority
1.								
2.								

Governance Disclosures

1. Ownership and legal form:

The organization shall explain the nature of ownership and the legal form on the entity specific to India operations.

2. Governance Structure:

The governance structure will start from the governance body, the committees / sub committees (standing/adhoc) under the governance body and the organization hierarchy **for** decision making. It outlines board and management committee structures, mandates, membership, charters, policies and internal controls.

3. Details of governing body including names of the members of the body:

The organization shall explain the role of the governance body, the competence available and the identification of the members including name. Also name and designation of

the senior decision maker may be provided.

4. Executives with key responsibilities:

The disclosure will highlight the key executive positions and their role in **the** organization.

5. Number of meetings by governing body and other committees formed by them along with attendance and the process of performance review:

The process to acquire the necessary information and data by the governance body to review the performance of the organization shall be explained. The disclosure shall also bring out the number of such meetings held by the governance body, during the course of the reporting period.

6. Organisation level potential risks and mitigation plan:

The organization to describe potential risks and mitigation plan addressing the same for organization and proposed solution/activity/intervention/programs or project.

7. Reporting of related party transactions

The organization shall disclose all related party transactions entered by it and reasons for the same.

8. Mechanisms for advice and concerns about ethics, along with conflict of interest and communication of other critical concerns:

A description of the organizations internal and external mechanisms for seeking inputs about ethical and lawful behavior and organisations integrity. It will also include the identification of who in the organization is assigned the responsibility for this mechanism. The concerns related to any conflict of interest and other concerns raised by the mechanism above shall be disclosed along with the actions the organization has taken.

9. Remuneration policies:

Remuneration policies for the governing body and the senior executive of the organization shall be reported. This shall include all kinds of fixed pay, variable pay and performance linked payments. It can also include any termination payments and claw backs. It is also important to bring out how performance of the organization is linked to remuneration.

10. Stakeholder grievance, process of grievance redressal and number of grievance received and resolved:



Apart from concerns related to ethics, the organization shall report on what is the organizations process to seek any stakeholder concerns or grievances. How many such concerns or grievances were received and how many of them were resolved.

11. Compliance management process and statement of compliance from senior decision maker: This disclosure requires the organizations to explain how the organization manages to monitor its compliance in respect of regulatory and legal requirements. There shall be a statement on the compliance status by the senior decision maker, who shall be the chair, CEO or equivalent senior position.
12. Organisation registration certificate and other licenses and certifications (12A, 80G, FCRA, GST, etc.).

Financial Disclosures

ICAI is in the process of publishing the uniform accounting and reporting framework for NGO. However, the following disclosures shall be made by the NPO in respect of Financial Aspects.

1. Financial Statement:
 - Balance Sheet
 - Income statement
 - Cash Statement
 - Program wise fund utilization certificate
 - Percentage of organizational budget this 'issue' represents
 - Breakup of organizational budget and expenditure
 - Split of the budget across partners of the project/initiative is being jointly executed
2. Auditors Report and details of the auditors

Annexure II: Guidance notes for all Social Enterprises (SEs) on AIR Strategic Intent and Planning

1. What is the social or environmental challenge the organization or the instrument listed is addressing?

The problem statement to be explained in detail. The challenge, its extent, causes and consequences and the part of the problem statement the organization and the instrument are trying to address shall be explained.

2. How the organization is planning to attend to the challenge or attending to the challenge?

The approach the organization or the specific instrument will be using or already using need to be explained. The organization shall also explain what the change is resulting for the targeted beneficiary and what proportion of the target group are experiencing the change.

3. Who is being impacted (target segment)?

The target beneficiaries / stakeholders to cover various kinds of target groups. Include the organization's internal definition of "target segments" it seeks to serve, usually along one or more of the three dimensions namely,

- Income (driven by socio-demographic and/or behavioural characteristics)
- Geography (ecosystem or geographic characteristics driven by population density (urban/rural), administrative boundaries, terrain etc); and
- Thematic issue (gender, caste, community that places the target segment at a disadvantage that has economic and non-economic consequences)

Where the target segment is a specific geographic region in its entirety, state so. Thematic issues could be one or more of the following: *Conservation of Resources, Generation via renewable resources, Reduction in waste, Conservation (say of land, wildlife, historical monuments, etc), Reduction in toxic substances*. Also, bring out possible deviations that might have occurred in the reporting period.

4. What will be the outcomes of the solution/program? Coverage should include positive and potential unintended negative outcomes.

Describe the Theory of change / logic model framework (defining input, output(s), outcome(s)) for the solution proposed. While identifying the targeted impact segment, both positive and potential unintended negative impacts need to be identified.

Approach

1. What is the baseline status / situation analysis / context description at the start of the activity, intervention, program or project?

The baseline measurement is done to establish the starting point in any activity, intervention, program or project. The measurements give the depth of the challenge and/or the spread of the challenge. The organization will establish the right kind of measurements keeping the end or what the organization or instrument wants to achieve since the baseline will be used to measure what actually changed due to the intervention. In absence of baseline study, a detailed situation analysis to be mentioned.

2. What has been the past performance trend?

For the on-going activity, intervention, program or project explain the key past performance trends and for proposed activity, intervention, program or project the narrative should explain the experience of similar programs in similar situations.

3. What is the solution implementation plan and the measures taken for sustainability of program outcomes?

Detailed implementation plan to be mentioned capturing all the essential activities. The interventions can be either perennial support or time bound support. In case of time bound support, the organization shall explain the exit strategy and how it ensures that the outcomes achieved will be sustained. In case of perennial support also, the organization can explain how it ensures sustainability of the project/program. Also, bring out possible deviations that might have occurred in the reporting period.

4. Please brief out alignment of solution to Sustainable Development Goals (SDGs)/ national priorities/state priorities.

Explain the alignment of activity, intervention, program or project to respective SDGs and national/state priorities and schemes.

5. How have you taken into consideration stakeholder feedback in this reporting period?

The organization to mention how they have mapped and prioritized the key stakeholders for the engagement. The reporting shall include the list of stakeholders engaged, their feedback and how the organization used the feedback.

6. In the last year, what have you seen as the biggest risks to the achievement of the desired impact? How are these being mitigated?

Mention the key potential risks pertaining to the organization or the specific instrument that could hamper/hinder the achievements of desired intended outcomes in last year and the steps or strategies taken by organization to mitigate the same.

Impact Scorecard

1. What are the metrics monitored and what has been the trend?

The trend in performance shall be explained through the trend of the data across the output, outcome and impact metrics that are established by the organization. The metrics will capture the reach of the activity, intervention, program or project as well as level of inclusiveness of impact being generated (direct, indirect, extended). This shall help evaluate the delta change that has occurred in lives of various target stakeholders (including environment) due to the solution. The metrics monitored shall target to cover the reach, depth and inclusion.

Reach - Outreach metrics for target segment(s) served:

- Proportion of target segment(s) who have been reached in the reporting period
- Proportion of target segment(s) who accepted the organization's solution
- What part of the planned activity, intervention, program or project have been accomplished in the reporting period
- Cumulative reach (members of the target segment served since inception)
- Other suitable metrics in relation to the solution, usually relate to people, institutions or activities (Ex: monthly active users of MAUs for an app/tech platform). These can be considered as needed, where the target segment is the specific geographic region.

Depth - The depth of impact on the median individual (of the target segment(s)) Surveys (1% of the customers/recipients or at least 200 respondents per organization) asking respondents 'Has your quality of life changed', with response options being: Very much improved, slightly improved, no change, got slightly worse, got much worse.

Alternatively, SE can compare itself to different 'case studies' of High - Medium -Low depth organizations.

Inclusion - The SE must consider for itself how its approach intends to improve Inclusion for its customers / recipients, along one or more of the following themes.

- Theme 1: Net increase in Income levels of customers / recipients among target

segment(s), as decided by the organization. The organization can self-select 'Low', 'Medium' or 'High'.

- Theme 2: Diversity and Inclusion: The SE exhibits how it prioritizes the inclusion of these disadvantaged groups or communities (either as owners, partners or customers) and empower them in their relationship with the SE over time.
- Theme 3: Social Equity: The SE exhibits how its approach has resulted in the disadvantaged group or community experiencing increased social equity. This can be through a survey as above or through qualitative criteria such as details of its strategy, processes and internal accountability/governance processes that have resulted in an internal culture that values and works towards achieving social equity for the disadvantaged group or community.

2. What are the highlights or achievements in the reporting period?

The organization to mention key highlights, achievements, challenges and/or disappointments faced during the reporting period.

3. Beneficiary / Stakeholder validation

It is utmost necessary to capture the perspective of stakeholders for the program to draw a holistic picture of impact/change that has been achieved by the program. The stakeholder voices would also help in capturing information that will help validate the impact claims. This can establish a check and avoid over claiming. The validation process shall answer the following questions.

- What would have happened in the absence of this activity, intervention, program or project?
- How much the activity, intervention, program or project contributed to the changes that are evidenced?
- How much unintended negative impacts happened due to the activity, intervention, program or project?

Appendix-III

SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the 25th July, 2022

SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) (FIFTH AMENDMENT) REGULATIONS, 2022

F. No. SEBI/LAD-NRO/GN/2022/88.— In exercise of the powers conferred by section 11, subsection (2) of section 11A and section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with section 31 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Board hereby makes the following regulations to further amend the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, namely:-

1. These regulations may be called the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2022.
2. They shall come into force on the date of their publication in the Official Gazette.
3. In the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015—
 - I. In regulation 2, in sub-regulation (1),
 - i. in clause (h), after the words and symbol “mutual funds,” and before the words “and any other”, the words “Zero Coupon Zero Principal Instruments” shall be inserted.
 - ii. after clause (zn), the following clause (zo) shall be inserted namely,—

“(zo) the expressions “For Profit Social Enterprise”, “Not for Profit Organization”, “Social Enterprise”, “Social Stock Exchange”, “draft fund raising document”, “final fund raising document”, “fund raising document”, “Social Auditor” and “Social Audit Firm” shall have the same meaning as assigned to them in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2018;”
 - II. after Chapter DC and before Chapter X, the following Chapter DC-A shall be inserted namely,—

CHAPTER IX-A

OBLIGATIONS OF SOCIAL ENTERPRISES Applicability

91 A. The provisions of this Chapter shall apply to:

- (a) a For Profit Social Enterprise whose designated securities are listed on the applicable segment of the Stock Exchange(s);
- (b) a Not for Profit Organization that is registered on the Social Stock Exchange(s);

Disclosures by a For Profit Social Enterprise.

91B. A For Profit Social Enterprise whose designated securities are listed on the Stock Exchange(s) shall comply with the disclosure requirements contained in these regulations with respect to issuers whose specified securities are listed on the Main Board or the SME Exchange or the Innovators Growth Platform, as the case may be.

Disclosures by a Not for Profit Organization.

- 91C.** (1) A Not for Profit Organization registered on the Social Stock Exchange(s), including a Not for Profit Organization whose designated securities are listed on the Social Stock Exchange(s), shall be required to make annual disclosures to the Social Stock Exchange(s) on matters specified by the Board, within 60 days from the end of the financial year or within such period as may be specified by the Board.
- (2) In addition to the disclosures referred in sub-regulation (1), the Social Stock Exchange(s) may specify matters that shall be disclosed by the Not for Profit Organization on an annual basis.

Intimations and disclosures by Social Enterprise of events or information to Social Stock Exchange(s) or Stock Exchange(s)

- 91D.** (1) A Social Enterprise whose designated securities are listed on the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, shall frame a policy for determination of materiality, duly approved by its board or management, as the case may be, which shall be disclosed on the Social Stock Exchange(s) or the Stock Exchange(s).
- (2) The board and management of the Social Enterprise shall authorize one or more of its Key Managerial Personnel for the purpose of determining materiality of an event or information and for the purpose of making disclosures to the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, under this

regulation and the contact details of such personnel shall also be disclosed to the Social Stock Exchange(s) or the Stock Exchange(s).

- (3) A Social Enterprise whose designated securities are listed on the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, shall disclose to the Social Stock Exchange(s) or the Stock Exchange(s) where it is registered or has listed its specified securities, as the case may be, any event that may have a material impact on the planned achievement of outputs or outcomes.
- (4) The disclosure referred in sub-regulation (3) shall be made as soon as reasonably possible but not later than seven days or within such period as may be specified by the Board, from the occurrence of the event and shall comprise details of the event including the potential impact of the event and the steps being taken by the Social Enterprise to address the same.
- (5) The Social Enterprise shall provide updates on a regular basis along with relevant explanations in respect of the disclosures required in sub-regulation (3) till the time the concerned event remains material.
- (6) The Social Enterprise shall provide specific and adequate reply to all queries raised by the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, with respect to any events or information:

Provided that the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, shall disseminate the information and clarification as soon as reasonably practicable.

- (7) The Social Enterprise may *suo moto* confirm or deny any reported event or information to Social Stock Exchange(s) or the Stock Exchange(s), as the case may be.
- (8) The Social Enterprise shall disclose on its website all such events or information which have been disclosed to the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, under this regulation.

Disclosures by a Social Enterprise in respect of social impact

- 91E.** (1) A Social Enterprise, which is either registered with or has raised funds through a Social Stock Exchange or a Stock Exchange, as the case may be, shall be required to submit an annual impact report to the Social Stock Exchange or the Stock Exchange in the format specified by the Board from time to time.
- (2) The annual impact report shall be audited by a Social Audit Firm employing Social Auditor.



- (3) The Social Stock Exchange(s) may specify parameters, in addition to those specified by the Board, which shall be required to be disclosed by a Social Enterprise on an annual basis.

Statement of utilisation of funds

- 91F.** (1) A listed Not for Profit Organization shall submit to the Social Stock Exchange(s) the following statement in respect of utilisation of the funds raised, on a quarterly basis :-
- (a) category-wise amount of monies raised;
 - (b) category-wise amount of monies utilised;
 - (c) balance amount remaining unutilised.
- (2) The unutilised amount shall be kept in a separate bank account and shall not be co-mingled with other funds.
- (3) The statement required under sub-regulation (1) shall be given till the time the issue proceeds have been fully utilised or the purpose for which they were raised, has been achieved.”

MADHABIPURIBUCH, Chairman
[AD VT.-III/4/Exty./192/2022-23]

Appendix-IV

Guidance notes for listed/registered NPOs on disclosures of general, governance and financial aspects [Refer Technical guide]

General disclosures

1. Name of the organization (legal and popular name):

The reporting organization shall report on the legally registered name and also any popular names the organization is known by among stakeholders.

2. Location of headquarters and location of operations:

Headquarter refers to the address that the organization has used in registering with respective regulatory body and also the organizations administrative center, from which it is controlled or directed. In case the locations are different, it needs to be specified. Location of operations shall cover the name of the locations where the organization has significant operation. Significant shall be defined to the scope of this document.

3. Vision/Mission/ Purpose:

It is important to understand the intent behind the disclosure and respond accordingly. Purpose in this context is why the organization exists and explaining why the cause taken up by the organization matters. The Mission will explain how you are working in the context of the purpose and the Vision in the context of this disclosure will be about where the organization is headed and what will the organization achieve. It is possible that all organizations may not have all the 3 (Vision, mission and purpose) as a stated document.

4. Organizational goals, activities, Products and Services:

The reporting organization shall mention objectives of the overall organization or program listed. It shall also describe the organization activities, including any products and services which the organization provides.

5. Outreach of organization:

Organization to mention type and number of direct, indirect and institutional beneficiaries / stakeholders reached across different programs and geographies.

6. Scale of operations (Including Employee and Volunteer strength):

The scale of the operations shall be explained by net turn-over/annual budget/annual spent in last 3 years, number of beneficiaries, number of locations of operations and

number of employees and volunteers. Total number of employees shall be disclosed separately as permanent employees, temporary employees and employees on contract. The nature and scale of activities performed by volunteers shall be disclosed. The organization shall disclose the scale of operations either at a national level or at a state or district level as may be useful for stakeholders.

7. Top donors or investors of organisation - List of Top 5 donors or investors (budget wise)

S. No.	Donor or investor	Geography	Total Program Cost	Expenditure in current year (INR)	Comulative Expenditure (INR)	Total out-reach (Direct, Indirect, Institutional)	SDG Goal or Target	Alignment with National/State Schemes or Priority
1.								
2.								

8. Details of top 5 programs in disclosure period - List of Top 5 interventions/ programs (budget wise)

S. No.	Donor or investor	Geography	Total Program Cost	Expenditure in current year (INR)	Comulative Expenditure (INR)	Total out-reach (Direct, Indirect, Institutional)	SDG Goal or Target	Alignment with National/State Schemes or Priority
1.								
2.								

Governance Disclosures

1. Ownership and legal form:

The organization shall explain the nature of ownership and the legal form on the entity specific to India operations.

2. Governance Structure:

The governance structure will start from the highest governance body, the committees/ sub committees (standing/adhoc) under the highest governance body and the organization hierarchy for decision making. It outlines board and management committee structures, mandates, membership, charters, policies and internal controls.

3. Details of highest governing body including names of the members of the body:

The organization shall explain the role of the highest governance body, the competence available and the identification of the members including name. Also name and designation of the senior decision maker may be provided.

4. Executives with key responsibilities:

The disclosure will highlight the key executive positions and their role in the organization.

5. Number of meetings by highest governing body and other committees formed by them along with attendance, and the process of performance review:

The process to acquire the necessary information and data by the highest governance body to review the performance of the organization shall be explained. The disclosure shall also bring out the number of such meetings held by the highest governance body, during the course of the reporting period.

6. Organisation level potential risks and mitigation plan:

The organization to describe potential risks and mitigation plan addressing the same for organization and proposed program/solution.

7. Reporting of related party transactions:

Although this is disclosed as part of 10A, it is recommended to report as part of annual reporting requirements by the organisation.

8. Mechanisms for advice and concerns about ethics, along with conflict of interest and communicating other critical concerns:

A description of the organizations internal and external mechanisms for seeking advise about ethical and lawful behavior and organizations integrity. It will also include the identification of who in the organization is assigned the responsibility for this mechanism. The concerns related to any conflict of interest and other concerns raised by the mechanism above shall be disclosed along with the actions the organization has taken.

9. Remuneration policies:

Remuneration policies for the highest governing body and the senior executive of the organization shall be reported. This shall include all kinds of fixed pay, variable pay and performance linked payments. It can also include any termination payments and claw

backs. It is also important to bring out how performance of the organization is linked to remuneration.

10. Stakeholder concern, process of grievance redressal and number of concerns raised and resolved:

Apart from concerns related ethics, the organization shall report on what is the organizations process to seek any stakeholder concerns or grievances. How many such concerns were reported and how the organizations handled the same.

11. Compliance management process and statement of compliance from senior decision maker:

This disclosure requires the organizations to explain how the organization manages to monitor its compliance against all regulatory and legal requirements. There shall be a statement on the compliance status by the senior decision maker, which shall be the chair, CEO or equivalent senior position.

12. Organisation registration certificate, and other licenses and certifications (12A, 80G, FCRA, GST, etc.). Financial Disclosures ICAI is in the process of publishing the uniform accounting and reporting framework for NGO.

The below disclosures will comply with the same.

1. Financial Statement:

- Balance Sheet
- Income statement
- Cash Statement
- Program wise fund utilization certificate
- Percentage of organizational budget this 'issue' represents
- Breakup of organizational budget and expenditure
- Split of the budget across partners of the project/initiative is being jointly executed

2. Auditors Report and auditor's details

Corporate Laws Committee 2022-23

Chairman

1. CMA Niranjan Mishra

Members

2. CMA (Dr.) Ashish P. Thatte
3. CMA Papa Rao Sunkara
4. CMA (Dr.) K Ch A V S N Murthy
5. CMA Chittaranjan Chattopadhyay
6. CS Makarand Lele, Government Nominee
7. CMA Divya Abhishek (Co-opted)
8. CMA Shailendra Paliwal (Co-opted)
9. CMA Hemendra Soni (Co-opted)

Permanent Invitee

1. CMA Vijender Sharma, President
2. CMA Rakesh Bhalla, Vice President

Secretary

CS Vibhu Agarwal

Editorial Board

1. CMA (Dr.) Ashish P. Thatte
2. CMA Dibya Abhishek
3. CMA Sailendra Paliwal
4. CMA Mukesh Chaubey

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