



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, 2018 (“**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 292F 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:



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Broad Parameter	Indicator	Details
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: 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
Ownership and control	Governing document (MoA & AoA/ Trust Deed/ Bye-laws/ 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 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 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



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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.



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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.



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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



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- 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



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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?



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- 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

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,

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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.



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

Sl. No.	Donor/Investor	Geography	Total program cost (INR)	Expenditure in current year (INR)	Cumulative expenditure (INR)	Total outreach (Direct, Indirect, Institutional)	SD Goal or target	Alignment with national/schemes or priority
1								
2								
..								

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

Sl. No.	SD Goal or target	Geography	Total program cost (INR)	Expenditure in current year (INR)	Cumulative expenditure (INR)	Total outreach (Direct, Indirect, Institutional)	Names of Donors or investors	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.



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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.).



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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



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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?
