

# THE SOCIAL AUDITOR

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**ICMAI Social Auditors Organisation**

(A Section 8 Company promoted by The Institute of Cost Accountants of India)

## Social Stock Exchange

SEBI vide its notification dated 25th July, 2022 has made amendments in the SEBI (ICDR) Regulations, 2018, and SEBI (LODR) Regulations, 2015. Copies of these amendments are being circulated with this communique. These amendments have been made to provide Social Enterprises with additional avenues to raise funds through the Social Stock Exchange (SSE), which is a novel concept in India. It provides eligibility of organizations to raise funds through Social Stock Exchange, eligibility of entities to be classified as “Not for Profit Organization”, eligibility of entities to be classified as “For Profit” Social Enterprises, means through which Social Enterprises can raise funds, and obligations of Social Enterprises.

Furthermore, to strengthen the governance framework in these entities, & provide better confidence to such investors, SEBI has introduced the concept of Annual Impact Report by a Social Auditor. The purpose of this Social Audit is to ascertain the impact made by the Social Enterprise through its activities, intervention, programs or projects implemented during the reporting period. The annual impact report shall be audited by a Social Auditor.

## ICMAI Social Auditors Organisation (ICMAI SAO)

To enroll & regulate the Social Auditors and also to prescribe the Social Audit Standards, the Institute of Cost Accountants of India, in compliance with SEBI Regulations, has incorporated a section 8 company titled ICMAI Social Auditors Organization. The ICMAI SAO will enroll eligible CMAs & others as Social Auditors and focus on their capacity building through continuous professional advancement with emphasis on adherence to the highest ethical standards and compliance with the Social Stock Exchange requirements.



## ICMAI Social Auditors Organisation

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# FROM THE CHAIRMAN'S DESK

**CMA Vijender Sharma**  
**Chairman**  
**ICMAI Social Auditors Organisation**

SEBI vide its notification dated 25th July, 2022 has made amendments in the SEBI (ICDR) Regulations, 2018, and SEBI (LODR) Regulations, 2015. These amendments have been made to provide Social Enterprises with additional avenues to raise funds through the Social Stock Exchange (SSE), which is a novel concept in India. It provides eligibility of organizations to raise funds through Social Stock Exchange, eligibility of entities to be classified as “Not for Profit Organization”, eligibility of entities to be classified as “For Profit” Social Enterprises, means through which Social Enterprises can raise funds, and obligations of Social Enterprises. Furthermore, to strengthen the governance framework in these entities, & provide better confidence to such investors, SEBI has introduced the concept of Annual Impact Report by a Social Auditor. The purpose of this Social Audit is to ascertain the impact made by the Social Enterprise through its activities, intervention, programs or projects implemented during the reporting period. The annual impact report shall be audited by a Social Auditor.

To enrol & regulate the Social Auditors and also to prescribe the Social Audit Standards, the Institute of Cost Accountants of India, in compliance with SEBI Regulations, has incorporated a section 8 company titled ICMAI Social Auditors Organization. The ICMAI SAO will enrol eligible CMAs & others as Social Auditors and focus on their capacity building through continuous professional advancement with emphasis on adherence to the highest ethical standards and compliance with the Social Stock Exchange requirements.

It is expected that large number of Social Enterprises, both not for profit and for profit, will take advantage of the newly created architecture for raising funds through the mechanism of Social Stock Exchange (SSE). Each such Social Enterprise would be required to submit an Annual Impact Report to the SSE duly audited by a Social Auditor. Hence, there would be huge opportunities for the CMAs and others to practice as Social Auditors.

# FROM THE CEO'S DESK

**CMA (Dr.) S K Gupta**  
**Chief Executive Officer**  
ICMAI Social Auditors Organisation

The Millennium Development Goals (MDGs) and the Sustainable Development Goals (SDGs) have provided a set of common aspirational targets for governments to build a more sustainable, safe and prosperous world. In tandem, the corporate sector has begun to adopt a variety of measures to ensure that their activities are not causing harm to society or the environment. Investing has also shifted towards an Environmental Social Governance (ESG) framework. 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.”

The emergence of the concept of Social Stock Exchange would open new vistas for professionals in the realm of Social Accounting, Social Audit. With a view to facilitating preparation for the Social Auditors Certification examination to be conducted by NISM, ICMAI Social Auditors Organization is offering a 30 hours educational course. Further an e - library has also been developed for providing knowledge support in the domain of social audit.

# Articles



# Leveraging Social Audit for improving outcomes of social impact programs

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**Dr. S K Gupta**

*Chief Executive Officer*

*ICMAI Social Auditors Organisation*

## What is a Social Audit?

A social audit is a way of measuring, understanding, reporting and ultimately improving an organization's social and ethical performance. A social audit helps to narrow gaps between vision/goal and reality, between efficiency and effectiveness. It is a technique to understand, measure, verify, report on and to improve the social performance of the organization. Social auditing creates an impact upon governance. Social audit through its systematic process allows the civil society to identify the gap between the desired and actual impact of a project/programme/service implemented. It also allows people to enforce accountability and transparency in government service delivery. Since social audit is an emerging concept in good governance, its concepts, approaches, strategies and adaptable methodologies need to be propagated and percolated. Thus, there emerged a need for a Centre for Social Audit to provide a clear set of guidelines to carry out and sustain the process of Social Audit. Social audits have the potential to make delivery of public programmes more effective.

Social Audit is an emerging concept that has become popular and relevant in the context of Good Governance. It values the voice of stakeholders, including marginalized/poor groups whose voices are rarely heard. Social auditing is taken up for the purpose of enhancing local governance, particularly for strengthening accountability and transparency in local bodies. Social audit is based on the principle that democratic local governance should be carried out, as far as possible, with the consent and understanding of all concerned. It is thus a process and not an event.

## Objectives of Social Audit

The primary objective of a social audit is to ensure greater transparency and accountability in the delivery of development programmes. It also enhances community participation and ownership of the programmes.

- To promote transparency and accountability in programme implementation.
- To inform, educate, engage and empower people about their rights.
- To provide a platform for people to express their grievances and needs.
- To promote people's participation at all stages of programme implementation.
- To strengthen grassroots democracy and grassroots institutions.

- To build up the capacity of people participating in the social audit.
- To strengthen programmes by improving planning based on feedback from social audits.

## Advantages of Social Audit

Social audits examine the social accountability of public institutions from the perspective of the user community. This simply means the Social Audit examines whether the programmes implemented by the institution are effective, useful and relevant to its mandated target groups. Social accountability depends crucially on whether the two sides – the user community and the governing or implementing agency – are prepared to engage with each other in undertaking a social audit. The social audit process is intended as a means for social engagement, transparency and communication of information, leading to greater accountability of decision-makers, representatives, managers and officials. Thus the application of social audit holds tremendous potential in bridging gaps between policy objectives and outcomes. A social audit captures the ‘need for expenditure’, ‘verification of expenditure’, ‘usefulness of expenditure’, ‘quality of work’ and most importantly, ‘justice for marginalised sections of people’.

Following are the advantages of Social audit :

- It informs and educates people about their rights and entitlements.
- It provides a collective platform for people to ask queries, express their needs and grievances.
- It promotes people's participation in all stages of implementation of programmes.
- It brings about transparency and accountability in government schemes.
- It benefits disadvantaged groups.
- It develops human resources and social capital.
- It promotes collective decision-making and sharing responsibilities.
- It evaluates the fulfilment of social responsibility.
- It enhances the social awareness.
- It increases organizational reputation.
- It facilitates organizational learning on how to improve social performance.
- It makes a roadmap on how to move forward on social issues
- It increases the efficiency and effectiveness of a scheme and creates a positive impact on governance.

## Social Audit Process

Social audit is a community-driven process that is facilitated by community participation. The process should be undertaken in a systematic manner to achieve its objectives. It can be broken down into a series of steps, each of which is important. Hence, sufficient time should be given to complete each step. Broadly, the process of social audits can be understood in three phases, starting from the preparatory and going up to public hearing, grievance redressal, and other actions on emerging issues. These phases can be seen as follows:

## Preparatory groundwork

- Define the scope of the audit such as for e.g. a specific service, organisation, programme, project, a component or activity of a particular project and so on.
- Form a committee or working group to plan, implement and over see the social audit.
- Identify key stakeholders such as intended users/beneficiaries, community members, local CSOs, service providers, responsible government officials, employees, contractors, volunteers, donors, etc.
- Develop a clear understanding of relevant administrative structures and pinpoint key responsible agencies/actors.
- Develop a clear understanding of the vision and objectives of the service/project being audited.
- Develop performance indicators through stakeholder consultation.

## Information gathering and analysis

- Access relevant public documents such as accounting records, cash books, wage rolls, bills and technical project reports and managerial records. Efforts must be made to obtain original documents rather than second-hand reports which may not be accurate.
- Gather data from relevant stakeholders about their perceptions and experiences of the service/project in question through surveys, focus group discussions, community meetings, and so on.
- The process of information gathering can also serve to inform key stakeholders and community members about the issues at hand and to mobilise public pressure and action for change.
- Analyse the gathered data which may require some specialised assistance.

## Public disclosure and evidence based dialogue

- Develop a communication strategy to disseminate findings and outcomes using the media, public meetings, postings etc.
- Convene meetings with community members to discuss the findings and formulate proposed changes/solutions.
- Convene public dialogue meeting(s) to allow community members to discuss the evidence with authorities or service providers, and to plan and implement changes.

## Follow-up

- Use the social audit findings to undertake advocacy to address specific instances of mismanagement and corruption as well as broader policy issues.
- Train and support community members and service providers to undertake further social audits.
- Make efforts towards institutionalizing social audits within the governance structures or to get the government's commitment for conducting regular audits

## Principles of social audit

The foremost principle of Social Audit is to achieve continuously improved performances in relation to the chosen social objectives. Following key principles have been identified from Social Auditing practices around the world. They are:

- **Multi-Perspective/Poly vocal** - Aims to reflect the views (voices) of all those people (stakeholders) involved with or affected by the organisation / department/ programme.
- **Comprehensive** - Aims to (eventually) report on all aspects of the organisation's work and performance
- **Participatory** - Encourages participation of stakeholders and sharing of their values.
- **Multidirectional** - Stakeholders share and give feedback on multiple aspects.
- **Regular** - Aims to produce social accounts on a regular basis so that the concept and the practice become embedded in the culture of the organisation covering all the activities.
- **Comparative** - Provides a means, whereby, the organisation can compare its performance each year and against appropriate external norms or benchmarks; and provide for comparisons with organisations doing similar work and in similar fashion.
- **Verification** - Ensures that the social accounts are audited by a suitably experienced person or agency with no vested interest in the organisation.
- **Disclosure** - Ensures that the audited accounts are disclosed to stakeholders and the wider community in the interests of accountability and transparency.

## Recent Developments Relating to Social Audit

The following recent developments are worth taking note of, in respect of social audit.

The Millennium Development Goals (MDGs) and the Sustainable Development Goals (SDGs) have provided a set of common aspirational targets for governments to build a more sustainable, safe and prosperous world. In tandem, the corporate sector has begun to adopt a variety of measures to ensure that their activities are not causing harm to society or the environment. Investing has also shifted towards an Environmental Social Governance (ESG) framework.

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.

- Accordingly, SEBI constituted a working group on ‘Social Stock Exchanges’ (SSE) under the Chairmanship of Shri Ishaat Hussain on September 19, 2019.
- A Working Group was subsequently formed on 19th September, 2019 to recommend possible structures and mechanisms for the Social Stock Exchange.
- Subsequently, a working group report was released in June 2020 that outlined a holistic approach to setting up the Social Stock Exchange.
- On 1st June, 2020, the Working Group on Social Stock Exchange published its report for public comment. Further on September 28, 2021, the board approved the creation of the Social Stock Exchange.
- On 25 July 2022, SEBI introduced regulations pertaining to the Social Stock Exchange by amending the following regulations, namely:
  1. **The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations)**
  2. **The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations)**
  3. **The SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations).**

As part of the amendments made to the above regulations, the Security Exchange Board of India introduced certain important concepts and definitions such as – Social Stock Exchange (SSE), social auditor, social audit firm, For-Profit Social Enterprise (FPSE), Social Enterprises (SEs), etc. These amendments have been made to provide Social Enterprises with additional to raise funds through the Social Stock Exchange (SSE), which is a novel concept in India. It provides eligibility of organizations to raise funds through Social Stock Exchange, of entities to be classified as “Not for Profit Organization”, eligibility of entities to be classified as “For Profit” Social Enterprises, means through which Social Enterprises can raise funds, and obligations of Social Enterprises.

Furthermore, to strengthen the governance framework in these entities, & provide confidence to such investors, SEBI has introduced the concept of Annual Impact Report by a Social Auditor. The purpose of this Social Audit is to ascertain the impact made by the Social Enterprise through its activities, intervention, programs or projects implemented during the reporting period. The annual impact report shall be audited by a Social Auditor

## Conclusions

The main reason for the push for social audit is the huge disconnect between what the people need, what the government thinks and what is actually done. Social audit is an innovative mechanism that can create the enabling conditions for public accountability. In a welfare State, the government has a total obligation for the well being of the people. This is translated in practical terms into a concern for the improvement of “quality of life” through improving standards of living, health, and education, earning capacity etc. for the people. Social audit is proposed as a supplement to conventional audit to help government department /public agencies/NGOs for understanding and improving their performance as perceived by the stakeholders.

The key to successful Social Auditing is in knowing which techniques to use and in what sequence. The Social Auditor 7–48 can choose different methods so as to capture both quantitative and qualitative information from the respondent. It is equally important to ensure the follow-up action taken on the Social Audit report and the receptiveness of the departments / organisations to adopt the recommendations in the Social Audit report. The social auditors should suggest modalities for improving its performance based on the feedback received from different stakeholders. The detailed workplan needs to be identified by the social auditors and the same should be implemented at the earliest.

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# **Social Stock Exchange – A way for Economic growth with Human development and Human Capital formation**

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**Mr. Rakesh Tayal**

*B. Com(H) Gold Med., FCA, DISA, IP, RV-SFA*

Knowing that the public sector funding, socially responsible investment, corporate philanthropy, and CSR spends will fall short of filling up the funding gap to meet the thrust of India's historic social intent (a Welfare state) along with the 2030 Agenda adopted by Member states of United Nations, setting up of Social Stock Exchanges (SSE) will open up new avenues of fund raising for the social enterprises bringing up the transparency and trust among the investors and providing them a platform to channelize their investments into social enterprises who have proven track record capable of making a deeper social impact.

Economic development of any country is not enough until it is accompanied with the activities that contribute to human capital formation and human development. Constitution makers of India were aligned with this fact and that is why, they decided that India would be a welfare state. The preamble of Indian Constitution describes India as a "sovereign socialist secular democratic republic" state. Accordingly, the Constitution has extensive provisions to ensure social and economic welfare of the people of India. Directive Principles (Article 36 to 51) in the constitution also talks about principles promoting Social and Economic Equality. (Directive Principles are basic guidelines for the state to frame rules / laws and policies).

## **Social Enterprises – Existing fund raising opportunities.**

Over the years various efforts have been made by corporate and non-corporate organizations (NPOs / NGOs / Social Enterprises) to support the government in its various public welfare initiatives like health, education etc. Historically, Fund raising options available to these organisations are government grants, donations through personal Solicitation, Network fund raising, crowdfunding, fund raising from abroad (in case NPO has foreign contribution Regulation (FCRA) Certificate).

Government of India, also put efforts into NPO financing via providing exemption to the donors in income tax for the funds donated to these NGOs under Section 80G of Income Tax Act, introduction of CSR concept in Companies Act 2013 and through creation of online portal, NGO DARPAN. The online portal, NGO DARPAN was a step to and speed up financing process and thus promoting and creating a healthy relationship between government and NPOs. With introduction of CSR, new funding opportunity is available where in the corporates integrate the social and environmental concerns in their business operations and interaction with their stakeholders. It was made mandatory for specified companies to contribute 2% of the average net profits of the preceding 3 years towards CSR.

## Challenges in fund raising through conventional methods:

Fund raising through conventional methods is always a challenge faced by all NGOs specially in developing countries.

Major challenges faced by the NPO's in fund raising are unawareness within the society and unethical practices by some of the unregistered NGOs and communities which ends up being the crucial reasons for the investors and common people to not trust and backout from donating.[i]

Another key challenge, NGO faces in fund raising is identifying and connecting with Indian philanthropists/HNIs.”[ii]. In India, the social welfare activities can be carried out by the charitable trusts registered under Indian trust Act 1882, by Societies registered under Societies Registration Act, 1860, Companies incorporated under Section 8 of the Companies Act 2013. Apart from these non-profit organisations, corporate houses, sole proprietorship firms, partnership firms also contribute towards creating a human development and capital formation.

Since such regulation are governed by different laws and regulations there is lack of comparability and uniform accounting policies and disclosures that leads to lack of transparency and difficulties in fund raising.

## Social Stock Exchange – the Need of Hour

Despite of the various provisions in Constitution of India related to welfare state and numerous welfare scheme run by Government of India like the Swachh Bharat Abhiyan Sanitation programme, the Jan Dhan Bank Yojana program to bank the unbanked, make in India, Skill India and Smart cities scheme, in addition to support provided to non-profit organisations and existence of large NGOs like Ashoka, SELCO Solar, Aravind Eye Care, Narayana Hrudayalaya Charitable Trust etc, India ranked 132nd out of 191 countries as per report on the 2021 Human Development Index (HDI) released by the United Nations Development Programme.[i]

In 2015, all UN member states adopted 17 Goals for People and for Planet called Sustainable Developmental Goals (SDG) as part of 2030 Agenda for Sustainable Development. At the SDG summit in September 2019, world leaders called for a **Decade of Action** and delivery for sustainable development, and pledged to mobilize financing, enhance national implementation and strengthen institutions to achieve the Goals by the target date of 2030, leaving no one behind.[ii]

Harnessing private investment and improving access to capital have emerged as the key enablers in India to bridge the financing gap to attain the United Nations' Sustainable Development Goals (SDGs) by 2030. According to a recent Standard Chartered report titled “Opportunity 2030 SDG Investment Map”, the country requires investment to the tune of \$2.64 trillion to achieve the SDG goals and the scenario creates investment opportunities for the private sector amounting to \$1.12 trillion by 2030 in three of the 17 SDGs viz Water and Sanitation, Affordable and clean energy, Industry, innovation and infrastructure (SDG 6,7 &9).[i]

Integrating the agenda of India's historic social intent with the 2030 Agenda adopted by Member states of United Nations and sensing that the public sector funding, socially responsible investment, corporate philanthropy and CSR spends will fall short of filling up the funding gap, Indian Finance minister, Mrs. Nirmala Sitaraman, for the first time in her 2019-20 budget speech, proposed to initiate steps towards creating a fund-raising platform, under the regulatory ambit of Securities and Exchange Board of India (SEBI) for listing of social enterprises and voluntary organizations. In the budget speech, the Hon'ble Finance Minister said:

**“ 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 (SEBI) 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.”<sup>[i]</sup>**

Subsequently, SEBI in September, 2019 constituted a working group (WG) under the chairmanship of Shri Ishaat Hussain (Ex-Director, Tata Sons) to inter-alia, make recommendations w.r.t possible structures and mechanism within securities market domain followed up by constitution of Technical Group on SSE under the chairmanship of Dr. Harsh Kumar Bhanwala (Ex-Chairman, NABARD) in September 2020.

Followed by submission of the reports of the working committee and technical group, SEBI on 25th July 2022 amended the following regulations which opens the way to establish Social Stock Exchange in India.

- 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**”)
- Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (“**AIF Regulations**”) were amended to provide a broad framework for Social Stock Exchange.

## **Social Stock Exchange – Potential benefits**

As per the amended regulations, Social Stock exchange shall be a separate segment of a recognized stock exchange having nationwide trading terminals permitted to register Not-for-Profit Organizations (NPO) and / or list the securities issued by Not-for-Profit Organizations. The SSE will list only securities that raise money for ‘non-for-profit’ or ‘for-profit’ ‘social enterprises.’

Also, a NPO can simply register itself on the SSE in order to be recognized as a ‘Social Enterprise’.

## **A social Enterprise whether for the profit or Not for the profit organisation will benefit in the following ways through registration on Social Stock Exchange**

### **1. Opening new avenues other than conventional one**

In addition to conventional fund-raising opportunity as mentioned in earlier part of the article,

a. A Not-for-Profit Organization may raise funds on SSE through:

- issuance of Zero Coupon Zero Principal Instruments to institutional investors and/or non-institutional investors
- donations through Mutual Fund schemes as specified by SEBI;
- any other means as specified by SEBI from time to time.

The introduction of instruments like Zero Coupon Zero Principal (ZCZP) via public issue or private placement shows that the Indian capital market has grown to a level similar to developed markets in addition to bringing much-needed clarity to funding and utilisation. Zero-coupon Zero Principal bonds are neither pay any interest nor return principal on maturity. On expiry of the period or on fulfilment of the purpose for which ZCZP were issued, these were written off in investee books.

b. A For-Profit Social Enterprise may raise funds through:

- 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**.
- issuance of debt securities.
- any other means as specified by SEBI from time to time

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.

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### **2. Building Trust through transparency**

Another challenge faced by NPO's that would be met by getting themselves either register or listing on stock exchange is generating trust of various stakeholders through predefined norms and regulations for registration / listing on the social stock exchange and stringent listing requirements. Following are the extract of regulations that

ensures the transparency and build trust of investors:

**a. Eligibility criteria of the Social Enterprise defined under regulation 292E of SEBI (ICDR) Regulation 2015 as amended on 25.07.2022.**

As per the regulations any 'for-profit' or 'not-for-profit' entity that establish social intent through carrying of any of the activity specified in the regulation will be a social enterprise. In addition to the above, the Social Enterprise shall target under-served or less privileged population segments or regions recording lower performance in the development priorities of central or state governments; Further, the Social Enterprise shall have at least sixty-seven per cent of its activities, qualifying as eligible activities to the target population, to be established through one or more of the following:

- **Percentage of Revenue** : at least sixty-seven per cent of the immediately preceding three-year average of revenues comes for providing eligible activities to members of the target population.
- **Percentage of Expenditure** : at least sixty-seven per cent of the immediately preceding three-year average of expenditure has been incurred for providing eligible activities to members of the target population.
- **Percentage of Target population** : members of the target population to whom the eligible activities have been provided constitute at least sixty-seven per cent of the immediately preceding three-year average of the total customer base and/or total number of beneficiaries.

Further, 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.

**b. Credibility norms for registration of a Not for profit organisation**

Following entities are entitled for registration

- (i) a charitable trust registered under the public trust statue of the relevant state;
- (ii) a charitable trust registered under the Societies Registration Act, 1860
- (iii) a charitable trust registered under the Indian Trusts Act, 1882
- (iv) a company incorporated under section 8 of the Companies Act, 2013

Above entities should

- have a valid registration certificate under relevant statue for a period of 12 month and should be at least 3 years old.
- Have valid PAN card with no income tax scrutiny ongoing,
- Carry income tax exemption certificate u/s 12A, 12AA, 12 AB valid for next 12 months.
- Must have at least 50 lakhs annual spent in past financial year.
- Must have raised funds of Rs, 10 lakhs in past financial year.

**c. Disclosure requirements**

Social Enterprises has to follow disclosure requirement as applicable to them. This will not only build trust of the investors/ donors but also raise a sense of accountability among office bearers of the social enterprise.

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- An NPO in need of funds while raising the funds through Zero coupon Zero principal bonds has to make necessary disclosures not limited to vision, target statement, strategy, governance, management, operations, finance, compliance, credibility and what social impact the current and past program bring in.
- All Social enterprises whether registered or listed have to disclose general, governance and financial aspects within 60 days of end of financial years with minimum contents specified in SEBI (LODR) regulations.
- All Social Enterprises have to provide audited annual impact report (AIR) to Social Stock Exchange within 90 days from the end of financial year capturing all the contents as mentioned in guidance note issued by SEBI as annexure II of the circular on Social Stock Exchange framework issued on 19.09.2022.
- Listed NPOs who have raised funds through Social Stock exchange have to submit statement of utilisation of funds on quarterly basis within 45 days from the end of the quarter.

Above eligibility, registration and disclosure requirements will meet the requirement of transparency being public scrutiny is the best way to bring in the transparency and Social stock exchange will provide that platform for public scrutiny. Information will be available in comparable forms as uniform accounting practices as well as standard disclosures will be prescribed for all social enterprise in addition to audit of the impact they made on the society in human development and human capital formation.

### **Social Stock Exchange – the key challenges and road ahead**

First social Stock Exchange was established in 2003 by Brazil (named as Socio environmental investment Exchange), after that six more countries had introduced similar concept but at present only 3 out of 7 are active (Jamaica social stock exchange- Jamaica, Impact Investment Exchange- Singapore, and Social Venture Connexion- Canada). While, Jamaica (JSIM) allows fund raising through donations, Singapore IIX allows raising of funds through bonds. Canada (SVX) allows fund raising through loans, private Equity and preference shares.

While other Social Stock exchange in world offer fund raising either by “for the profit” or by “Not for the profit” organisation – India provides platform to both type of entities.

Though Social stock exchange setup with an objective to act as a bridge among investors / private sector and social sector, it carries challenges to be successful and it is an evolving concept. To be more attractive and successful Government may take following measures in the coming years:

- for donors to buy securities on SSE Ministry of finance may look at to amend tax deduction U/s 80 G to make incentive of 100% tax deduction as opposed to a current 50% tax deduction on making a regular donation or grant.

- for donors to buy securities on SSE Ministry of finance may look at to amend tax deduction U/s 80 G to make incentive of 100% tax deduction as opposed to a current 50% tax deduction on making a regular donation or grant.
- Making investment in ‘zero-coupon, zero-principal’ instruments/bonds issued by Not-for-profit social enterprises listed on the SSE, eligible for 100% tax deductions through amendment in Income Tax Act 1961.
- Giving incentives to Risk investors to provide funds to the social enterprises.
- Purchase / investment in securities issued by NPOs or FPSEs will be eligible as CSR expenditure.

Unquestionably, the advent of Social Stock Exchanges is a positive development for the charity and stock markets. While “for the profit” and “Not for the profit” will enjoy equal status getting registered or listed on the social stock exchange will enhance their visibility and credibility. At the same time, this will build the confidence of investors / donors through increased transparency and accountability of the office bearers of the Social enterprises.

[1] <https://www.cxooutlook.com/major-challenges-faced-by-ngos-in-india-shortage-of-funds-and-infrastructure/>

[2] <https://timesofindia.indiatimes.com/blogs/developing-contemporary-india/the-fundraising-challenges-plaguing-indian-nonprofits/>

[3] [https://hdr.undp.org/system/files/documents/global-report-document/hdr2021-22pdf\\_1.pdf](https://hdr.undp.org/system/files/documents/global-report-document/hdr2021-22pdf_1.pdf)

[4] [The Sustainable Development Agenda - United Nations Sustainable Development](#)

[5] [Social stock exchange to boost investability of social impact projects - The Economic Times \(indiatimes.com\) & Standard Chartered Opportunity 2030 \(sc.com\)](#)

[6] [https://www.indiabudget.gov.in/budget2019-20/doc/Budget\\_Speech.pdf](https://www.indiabudget.gov.in/budget2019-20/doc/Budget_Speech.pdf)

# Social Stock Exchange in India- A New Paradigm

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**Ms. Harsha Ramnani**

*Chartered Accountant | Registered Valuer-S&FA | Social Auditor*

## Abstract

In recent years, there has been growing interest in social impact investing, which aims to generate positive social and environmental outcomes in addition to financial returns. One mechanism that has been proposed to facilitate social impact investing is the creation of social stock exchanges.

Considering the same, our honorable Finance Minister Mrs. Nirmala Sitharaman also highlighted the need to form a social stock exchange in her Budget speech in Feb 2019. “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”.

Globally, Social Stock Exchanges (SSE) have emerged as a funding mechanism for non-profit and for-profit social enterprises and therefore, India has also announced a similar mechanism to introduce the Social Stock Exchange.

- SEBI granted its final approval on 27th December 2022, for introducing Social Stock Exchange (SSE) as a separate segment on BSE, and subsequently, the final clearance was received on 22nd February 2023 as confirmed by the National Stock Exchange (NSE).
- SSE will provide a new avenue for social enterprises to raise funds for social initiatives.
- SSE will bring transparency to fund mobilization.
- Organizations involved in social initiatives will get more visibility and can raise donations in a simple manner.

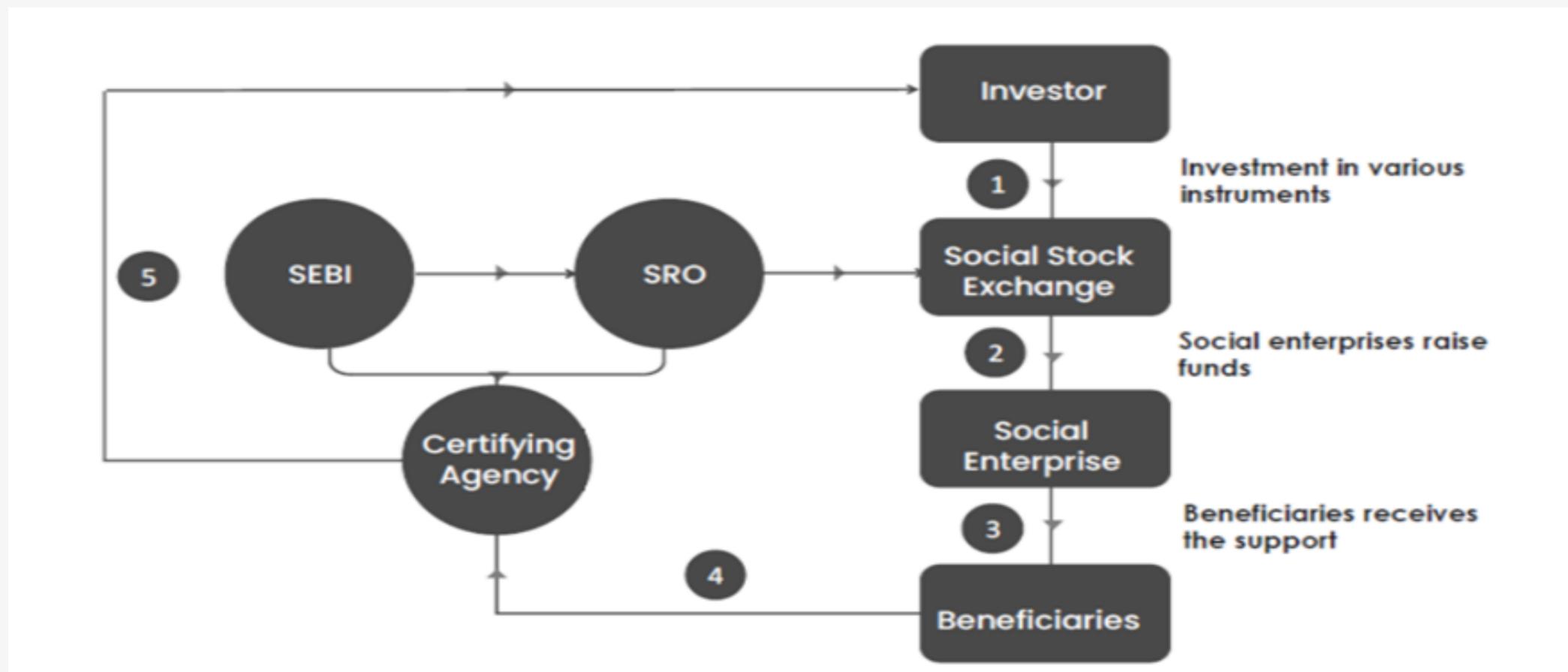
## Introduction

The concept of an SSE is simple, it is a platform that connects investors with companies and organizations that have a social or environmental mission. By listing on an SSE, these companies can access capital from socially motivated investors who are interested in supporting their mission.

The SSE will serve as a trading platform for social enterprises to obtain funds in a transparent and efficient manner, by making various fundraising instruments available to them under regulatory guidelines. Non-profit organizations and for-profit corporations with social objective and impact are both eligible social enterprises. Whereas impact investors, especially institutional investors can invest in various financial instruments offered. Hence an SSE works as a regular stock exchange by facilitating listing trading and settlement of various financial instruments. In addition to standard financial reporting, the listed firm must demonstrate its social, environmental impact and governance practices through impact reporting, rather than relying exclusively on profit and loss.

## Background of Birth of Social Stock Exchange:

The framework of the SSE can be understood through the structure given as below where the Social Stock Exchange will give these businesses more market access and visibility among SSE platform investors, allowing them to raise funds through impact investing, charity, corporate social responsibility, and government funding.



The SSE will also set minimum social effect reporting criteria and indicators for all firms listed on the exchange, which is expected to promote market discipline and stimulate healthy competition among social enterprises to accomplish impact goals. Following are the steps to understand the function of SSE

1. Social stock exchange will provide the platform to social enterprises to raise fund for projects from various category of investors.
2. Investors will invest in various instruments offered at exchange
3. Social enterprises will support and deliver services to various beneficiaries
4. Authorized certified agencies/social auditors will collect the information from beneficiaries and conduct the social impact tests for listing. They will also measure the outcome of the projects.
5. Investors will assess those outputs evaluated by third party evaluators/ certifying agencies and validate impact of projects.

## Comparison of Proposed Indian SSE with its Global Peers

Brazil, South Africa, United Kingdom and Canada are major social stock exchanges in the world. Globally Canada, Singapore and Jamaica are other major social stock exchange, active currently. Most of the SSEs are housed under the existing exchanges of their countries with support from some external groups in some cases. The comparison between major SSEs and Proposed Indian SSE can be observed in the table below

	<b>Brazil</b>	<b>South Africa</b>	<b>United Kingdom</b>	<b>Canada</b>	<b>India (Proposed)</b>
<b>Year of Launch</b>	2003	2006	2013	2013	2023
<b>Name of Exchange</b>	BVSA (Brazil's Social Stock Exchange)	SASIX (South African Social Investment Exchange)	SSX (UK Social Stock Exchange)	SVX (Canada Social Venture Connexion)	To be announced
<b>Structure (Supported by)</b>	Brazilian Stock Exchange	Johannesburg Stock Exchange	Standalone private company (London stock exchange)	TMX Group (Independent NPO)	National Stock Exchange / Bombay Stock Exchange
<b>Current Status</b>	Closed operation in 2018	Not Active	Not Active	Active	To be launched
<b>FPO/NPO Inclusion</b>	FPO-No NPO-Yes	FPO-Yes NPO-Yes	FPO-Yes NPO-No	FPO-Yes NPO-Yes	FPO-Yes NPO-Yes

The proposed Indian SSE is going to be different from other major global SSEs on some aspects. Proposed Indian SSEs will provide solution for both for profit organizations (FPO) and Non-profit organization (NPO) rather than allowing any one of it. It will allow to list both type of social enterprises on the exchange. The Indian SSE will go beyond the pure matchmaking or discovery to create common standards for reporting, direct listing and streamlining funding mechanism for NPOs. The structure will also provide the innovative instruments and funding structures.

Until 24th Dec 2020, eight mutual funds have been launched in India in the realm of Environment and Social Governance (ESG). It is also important to note that Green Bonds have already been listed on the stock exchange as of 2017 which allows investors to invest in 'green' firms. The overall ecosystem is prepared to support the growth of social finance.

### Proposed Mechanism for Fund-Raising in SSE

Social Stock Exchanges aim to effectively deploy fundraising instruments and structure available under specified guidelines. These instruments depend on the nature of social enterprise seeking funding. The instruments are different for NPOs and for-profit enterprises.

Instruments for non-profit social enterprises are as follows:

- **Zero coupon zero principal bonds:** Allowing NPOs to directly list on the SSE through issuance of bonds in the form of zero coupon or zero principal bonds. This is a feasible option to unlock funds from donors, philanthropic foundations and CSR spenders. These bonds would carry a tenure equal to the duration of the project that is

being funded, and at tenure, they would be written off the investor's books.

- **Social Venture Funds (SVF):** An SVF is a category 1 Alternative Investment Fund (AIF) that is already allowed by SEBI to issue securities or units of social ventures to investors.
- **Mutual funds:** An asset management company could offer closed-end mutual fund units to investors. The units could be redeemable in principal terms, but all of the returns could be channeled towards suitably chosen NPOs by the fund which acts as the intermediary.
- **Pay-for-success models:** Pay-for-success models through lending partners or through grants are highlighted as effective mechanisms to ensure a more efficient and accountable deployment of capital.

For for-profit social enterprises (FPEs):

- **Equity listing:** FPEs would list equity on the SSE subject to a set of listing requirements, including operating practices (financial reporting and governance) and social impact reporting.
- **Social Venture Funds (SVFs):** AIFs and SVFs already exist for FPEs but do not require social impact reporting.

## Benefits of Social Stock Exchange

Building an ecosystem that will enable the SSE to thrive and flourish in India will give the following benefits:

1. **Standardization:** One of the key features of the proposed SSE is the requirement for companies to meet certain social impact criteria to be listed. These criteria are still being developed, but they are likely to include factors such as environmental sustainability, social inclusivity, and community impact. By requiring companies to meet these criteria, the SSE aims to ensure that investors can trust that their funds are being used to support socially impactful organizations.
2. **Transparency & Accountability:** Another important feature of the SSE is the focus on transparency and accountability. Companies listed on the SSE would be required to disclose information about their social impact, including their mission, goals, and outcomes. Investors would be able to access this information and make informed decisions about where to invest their funds. The SSE would also provide oversight and regulation to ensure that companies are fulfilling their social impact goals.
3. **Social impact reporting:** Common minimum standards for reporting on social impact have been suggested for both classifications (FPEs and NPOs), to reduce information asymmetry. The working group also suggests operating a “capacity building fund” for enhancing reporting capabilities by NPOs. It is also envisaged that a new category of auditors social auditors will perform an independent verification of NPOs' impact reporting.
4. **Tax benefits:** To increase the reception of these funding models amongst various classes of investors, the committee has also recommended several tax exemptions, benefits and other supportive regulatory clarifications.
5. **Rigorous regulatory scrutiny:** Listing of FPEs on the SSE must not be based only on self-reporting social impact. To ensure that only bonafide FPEs are able to associate with SSE, SEBI, in consultation with the existing specialist entities, should work out a mechanism for assessing credentials of the social impact dimensions self-declared by the FPEs.

## Problems and Challenges Ahead

Government of India and regulatory bodies are ambitious about SSE in coming days, however exchange directing capital to social embedded causes has its set of challenges. Making SSE as a successful platform is a major challenge amid major global platform has failed to achieve the investors attentions. Defining social enterprise, measuring Impact and ESG reporting also remain another major challenge to implement. Other challenges are, rigorous surveillance, financial scrutiny becomes essential amid increase in number of participants, transaction cost, designing and providing various financial instruments, tax benefits and defining all instruments and entities etc. Maintaining trust, launching new platform, and providing services in such environment is again a challenge for section of investors.

However, there are also challenges to the establishment of an SSE in India. One of the main challenges is the lack of understanding and awareness of social impact investing among Indian investors. To overcome this, the SSE will need to undertake a significant education and outreach effort to raise awareness of the potential of social impact investing and the role of the SSE in facilitating it.

Another challenge is the need to balance the social impact goals of companies with the financial objectives of investors. Social impact organizations may have different priorities than traditional for-profit companies, which could create tension between social and financial objectives. The SSE will need to navigate these tensions to ensure that it is serving the interests of both investors and social impact organizations.

## Conclusion

There is much potential for SSE's in India as there are 31 lakh NPOs more than the number of schools and 250 times the number of government hospitals. This means that there is one NPO for 400 Indians. That way the foundations for a robust welfare state can be aid.

In conclusion, the establishment of a social stock exchange in India has the potential to unlock significant capital for social impact organizations and create new opportunities for socially motivated investors. While there are challenges to be addressed, the vision and progress made so far by SEBI suggest that India is well on its way to creating a platform that can support sustainable and socially impactful investing.

The Indian policy makers and regulator have defiantly learned from existing global SSE before the launch of the Indian SSE, as all of those are not successful and active today. Indian SSE will have edge over its global peers as better functional mechanism are proposed after understanding the global structure. The proposed framework will also attract all categories of investors / impact investors to invest in financial instruments offered by SSE in India. The initiatives will defiantly create the ecosystem for social enterprise, impact investors and all beneficiaries amid rising ESG investment awareness globally, with the purpose tax benefits are also proposed by regulatory body to investors and SEs.

However, the challenges remain in near future before the launch of the SSE in India. Some of those are defining social enterprise, measuring Impact and ESG reporting, and audits also remain another major challenge to implement. Rigorous surveillance, financial scrutiny becomes essential amid increase in number of participants, transaction cost, designing and providing various financial instruments, tax benefits and defining all instruments and entities etc. These problems and challenges can be addressed by regulatory bodies. Other such issues can arise after the launch of the SSE, which can also be fixed, hence, policymaker and regulatory bodies have to be wary and work for better surveillance system as well.

## **Disclaimer**

*The aim of the paper is to understand the concept of Social Stock Exchange and to study its framework proposed by Securities and Exchange Board of India (SEBI) in consultation with a technical group. Paper evaluates the proposed structure of the SSE and compares it with the existing structure of its global peers, i.e., Brazil, South Africa, United Kingdom, and Canada. The paper also studies the benefits to stakeholders and challenges ahead from the proposed SSE framework. The study covers the secondary research, information available in public domain, newspaper articles, press notes, academic journal and report published by SEBI. Websites of foreign social stock exchanges are also used to understand the SSE structure*

**SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE  
OF CAPITAL AND DISCLOSURE REQUIREMENTS)  
THIRD AMENDMENT) REGULATIONS, 2022**

**&**

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



**ICMAI Social Auditors Organisation**

**(A Section 8 Company promoted by The Institute of Cost Accountants of India)**

**SECURITIES AND EXCHANGE BOARD OF INDIA****NOTIFICATION**

Mumbai, the 25th July, 2022

**SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) (THIRD AMENDMENT) REGULATIONS, 2022**

**F. No. SEBI/LAD-NRO/GN/2022/90.**—In exercise of the powers conferred under section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following regulations to further amend the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, namely: -

1. These regulations may be called the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third 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 (Issue of Capital and Disclosure Requirements) Regulations, 2018, after Chapter X and before Chapter XI, the following Chapter X-A shall be inserted namely,—

**“CHAPTER X-A****SOCIAL STOCK EXCHANGE****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) a Not for Profit Organization seeking to only get registered with a Social Stock Exchange;
- (b) a Not for Profit Organization seeking to get registered and raise funds through a Social Stock Exchange;
- (c) a 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 class(es) 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.**

292O 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.”

MADHABI PURI BUCH, Chairman

[ADVT.-III/4/Exty./194/2022-23]

**Footnotes:**

1. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 was published in the Gazette of India on September 11, 2018, vide notification No. SEBI/LAD-NRO/GN/2018/31.
2. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 was subsequently amended on -
  - (a) December 31, 2018 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2018, vide notification No. SEBI/LAD-NRO/GN/2018/57.
  - (b) March 29, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/05.
  - (c) April 5, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/08.
  - (d) July 29, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/29.
  - (e) September 23, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/35.
  - (f) December 6, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fifth Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/42.
  - (g) December 26, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Sixth Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/47.
  - (h) January 1, 2020 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Seventh Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2020/01.
  - (i) April 17, 2020 by the Securities and Exchange Board of India (Regulatory Sandbox) (Amendment) Regulations, 2020 vide notification No. SEBI/LAD-NRO/GN/2020/10.
  - (j) May 8, 2020 by the Securities and Exchange Board of India (Payment of Fees) (Amendment) Regulations, 2020, vide notification No. SEBI/LAD-NRO/GN/2020/11.
  - (k) June 16, 2020 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2020, vide notification No. SEBI/LAD-NRO/GN/2020/17.
  - (l) June 22, 2020 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2020, vide notification No. SEBI/LAD-NRO/GN/2020/18.
  - (m) July 1, 2020 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2020, vide notification No. SEBI/LAD-NRO/GN/2020/21.

- (n) September 28, 2020 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2020, vide notification No. SEBI/LAD-NRO/GN/2020/31.
- (o) January 8, 2021 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2021, vide notification No. SEBI/LAD-NRO/GN/2021/03.
- (p) May 5, 2021 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2021, vide notification No. SEBI/LAD-NRO/GN/2021/18.
- (q) August 3, 2021 by the Securities and Exchange Board of India (Regulatory Sandbox) (Amendment) Regulations, 2021, vide notification No. SEBI/LAD-NRO/GN/2021/30.
- (r) August 13, 2021 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2021, vide notification No. SEBI/LAD-NRO/GN/2021/45.
- (s) October 26, 2021 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2021, vide notification No. SEBI/LAD-NRO/GN/2021/52.
- (t) January 14, 2022 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022, vide notification No. SEBI/LAD-NRO/GN/2022/63.
- (u) April 27, 2022 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2022 vide notification No. SEBI/LAD-NRO/GN/2022/82.



# भारत का राजपत्र The Gazette of India

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भारतीय प्रतिभूति और विनियम बोर्ड

अधिसूचना

मुंबई, 25 जुलाई, 2022

भारतीय प्रतिभूति और विनियम बोर्ड

[सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (पाँचवाँ संशोधन) विनियम, 2022

फा. सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2022/88.—बोर्ड, प्रतिभूति संविदा (विनियमन) अधिनियम, 1956 (1956 का 42) की धारा 31 के साथ पठित भारतीय प्रतिभूति और विनियम बोर्ड अधिनियम, 1992 (1992 का 15) की धारा 11, धारा 11क की उप-धारा (2) तथा धारा 30 द्वारा प्रदान की गई शक्तियों का प्रयोग करते हुए, एतद्वारा भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] विनियम, 2015 का और संशोधन करने के लिए निम्नलिखित विनियम बनाता है, अर्थात्:-

1. इन विनियमों को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (पाँचवाँ संशोधन) विनियम, 2022 कहा जा सकेगा।
2. ये विनियम राजपत्र में इनके प्रकाशन की तारीख को लागू होंगे।
3. भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] विनियम, 2015 में,-

I. विनियम 2 में, उप-विनियम (1) में,

i. खंड (ज) के स्थान पर निम्नलिखित खंड आ जाएगा, अर्थात्,-

"(ज) निर्धारित प्रतिभूतियों" (डेज़िग्रेटेड सिक्यूरिटीज़) का अर्थ है - विनिर्दिष्ट प्रतिभूतियाँ (स्पेसिफाइड सिक्यूरिटीज़), असंपरिवर्तनीय ऋण (नॉन-कन्वर्टिबल डैट) प्रतिभूतियाँ, असंपरिवर्तनीय मोचनीय (नॉन-कन्वर्टिबल रिडीमेबल) अधिमानी (प्रेफरेंस) शेयर, बेमीयादी ऋण लिखत (पर्पेचुअल डैट इंस्ट्रूमेंट), बेमीयादी असंचयी (पर्पेचुअल नॉन क्यूम्यूलेटिव) अधिमानी शेयर, भारतीय निक्षेपागार रसीदें (डिपॉज़िटरी रिसीट्स / आईडीआर), प्रतिभूत ऋण लिखत (सिक्योरिटाइज़्ड डैट इंस्ट्रूमेंट), प्रतिभूति रसीदें (सिक्यूरिटीज़ रीसीट्स), म्यूचुअल फंडों (पारस्परिक निधियों) द्वारा जारी की गई यूनितें, ज़ीरो कूपन ज़ीरो प्रिन्सिपल वाले लिखत (इंस्ट्रूमेंट्स) और बोर्ड द्वारा विनिर्दिष्ट कोई अन्य प्रतिभूतियाँ;"

ii. खंड (यढ) के बाद, निम्नलिखित खंड (यण) जोड़ा जाएगा, अर्थात्,-

"(यण) शब्दों "लाभ कमाने के उद्देश्य से बने सामाजिक उद्यम", "लाभ न कमाने के उद्देश्य से बने संगठन", "सामाजिक उद्यम" (सोशल एंटरप्राइस), "सोशल स्टॉक एक्सचेंज", "पैसा जुटाने संबंधी प्रारूप (ड्राफ्ट) दस्तावेज", "पैसा जुटाने संबंधी अंतिम दस्तावेज", "पैसा जुटाने संबंधी दस्तावेज", "सामाजिक लेखापरीक्षक" (सोशल ऑडिटर) और "सामाजिक लेखापरीक्षा करने वाली फर्म" (सोशल ऑडिट फर्म) के वही अर्थ होंगे, जो भारतीय प्रतिभूति और विनियम बोर्ड [पूँजी का निर्गमन (इश्यू) और प्रकटीकरण अपेक्षाएँ] विनियम, 2018 में उनके लिए दिए हुए हैं;"

II. अध्याय-IX के बाद तथा अध्याय-X से पहले, निम्नलिखित अध्याय-IX-क जोड़ा जाएगा, अर्थात्,-

#### "अध्याय - IX-क

#### सामाजिक उद्यमों (सोशल एंटरप्राइस) की बाध्यताएँ

#### लागू होना

**91क.** इस अध्याय के प्रावधान:

- (क) ऐसे 'लाभ कमाने के उद्देश्य से बने सामाजिक उद्यम' के प्रति लागू होंगे, जिसकी निर्धारित प्रतिभूतियाँ (डेज़िग्रेटेड सिक्यूरिटीज़) स्टॉक एक्सचेंज (एक्सचेंजों) के लागू खंड (सेगमेंट) में सूचीबद्ध (लिस्टिड) हों;
- (ख) ऐसे 'लाभ न कमाने के उद्देश्य से बने संगठन' के प्रति लागू होंगे, जो सोशल स्टॉक एक्सचेंज (एक्सचेंजों) के यहाँ रजिस्टर हो;

**'लाभ कमाने के उद्देश्य से बने सामाजिक उद्यम' द्वारा किए जाने वाले प्रकटीकरण (डिस्क्लोज़र)**

**91ख.** जिस 'लाभ कमाने के उद्देश्य से बने सामाजिक उद्यम' की निर्धारित प्रतिभूतियाँ स्टॉक एक्सचेंज (एक्सचेंजों) में सूचीबद्ध (लिस्टिड) हों, वह इन विनियमों में उन निर्गमकर्ताओं (इश्युअर्स) के संबंध में दी हुई प्रकटीकरण संबंधी अपेक्षाओं का पालन करेंगे जिनकी विनिर्दिष्ट प्रतिभूतियाँ (स्पेसिफाइड सिक्यूरिटीज़), यथास्थिति, मुख्य बोर्ड पर या एसएमई एक्सचेंज में या इनोवेटर्स ग्रोथ प्लेटफॉर्म पर सूचीबद्ध (लिस्टिड) हों।

**'लाभ न कमाने के उद्देश्य से बने संगठन' द्वारा किए जाने वाले प्रकटीकरण (डिस्क्लोज़र)**

**91ग.** (1) सोशल स्टॉक एक्सचेंज (एक्सचेंजों) के यहाँ रजिस्टर 'लाभ न कमाने के उद्देश्य से बने संगठन' [जिसमें ऐसा 'लाभ न कमाने के उद्देश्य से बना संगठन' शामिल है जिसकी निर्धारित प्रतिभूतियाँ (डेज़िग्रेटेड सिक्यूरिटीज़) सोशल स्टॉक एक्सचेंज (एक्सचेंजों) में सूचीबद्ध (लिस्टिड) हों] के लिए यह जरूरी होगा कि वह बोर्ड द्वारा निर्धारित किए गए विषयों पर, वित्तीय वर्ष के समाप्त होने की तारीख से 60 दिनों के भीतर या बोर्ड द्वारा यथा निर्धारित अवधि के भीतर, सोशल स्टॉक एक्सचेंज (एक्सचेंजों) को वार्षिक प्रकटीकरण (डिस्क्लोज़र) करें।

(2) उप-विनियम (1) में जिन प्रकटीकरणों का उल्लेख है उनके अलावा, सोशल स्टॉक एक्सचेंज ऐसे विषय निर्धारित कर सकेगा (सकेंगे) जिनके संबंध में 'लाभ न कमाने के उद्देश्य से बने संगठन' द्वारा वार्षिक आधार पर प्रकटीकरण किया जाएगा।

सामाजिक उद्यम द्वारा सोशल स्टॉक एक्सचेंज (एक्सचेंजों) या स्टॉक एक्सचेंज (एक्सचेंजों) को घटनाओं या सूचना की जानकारी देना और उसका प्रकटीकरण (डिस्क्लोज़र) करना

**91घ.** (1) जिस सामाजिक उद्यम की निर्धारित प्रतिभूतियाँ (डेज़िग्रेटेड सिक्यूरिटीज़), यथास्थिति, सोशल स्टॉक एक्सचेंज (एक्सचेंजों) या स्टॉक एक्सचेंज (एक्सचेंजों) में सूचीबद्ध (लिस्टिड) हों, वह, यथास्थिति, अपने बोर्ड या प्रबंध-मंडल से

विधिवत् रूप से मंजूरी लेकर महत्ता को तय करने संबंधी नीति बनाएगा, जिसका प्रकटीकरण सोशल स्टॉक एक्सचेंज (एक्सचेंजों) या स्टॉक एक्सचेंज (एक्सचेंजों) को किया जाएगा।

(2) इस विनियम के तहत कोई घटना या जानकारी महत्वपूर्ण है या नहीं यह तय करने उद्देश्य से और, यथास्थिति, सोशल स्टॉक एक्सचेंज (एक्सचेंजों) या स्टॉक एक्सचेंज (एक्सचेंजों) को प्रकटीकरण करने के उद्देश्य से सामाजिक उद्यम का बोर्ड और प्रबंध-मंडल (मैनेजमेंट) अपने प्रबंध-मंडल के मुख्य व्यक्तियों में से किसी एक व्यक्ति या एक से अधिक व्यक्तियों को प्राधिकृत करेगा, और ऐसे व्यक्ति (व्यक्तियों) के संपर्क संबंधी ब्यौरे भी सोशल स्टॉक एक्सचेंज (एक्सचेंजों) या स्टॉक एक्सचेंज (एक्सचेंजों) को प्रकट किए जाएंगे।

(3) जिस सामाजिक उद्यम की निर्धारित प्रतिभूतियाँ (डेज़िग्रेटेड सिक्यूरिटीज़), यथास्थिति, सोशल स्टॉक एक्सचेंज (एक्सचेंजों) या स्टॉक एक्सचेंज (एक्सचेंजों) में सूचीबद्ध (लिस्टिड) हों, वह सोशल स्टॉक एक्सचेंज (एक्सचेंजों) या स्टॉक एक्सचेंज (एक्सचेंजों) [जहाँ, यथास्थिति, वह रजिस्टर हो या उसकी निर्धारित प्रतिभूतियाँ सूचीबद्ध (लिस्टिड) हों] को ऐसी किसी घटना की जानकारी प्रकट करेगा जिसकी वजह से योजना के अनुसार जो वह करना चाहता था उस पर काफी असर पड़ सकता हो।

(4) उप-विनियम (3) में जो जानकारी प्रकट करने का उल्लेख किया गया है वह जानकारी घटना के घटित होने की तारीख से यथासंभव जल्द से जल्द किंतु अधिक से अधिक सात दिनों के भीतर या बोर्ड द्वारा यथा निर्धारित अवधि के भीतर प्रकट की जाएगी, और जिसमें यह उल्लेख करते हुए घटना के ऐसे ब्यौरे भी दिए जाएंगे कि घटना के घटित होने से क्या-क्या असर पड़ सकता है और जिसे कम करने के लिए सामाजिक उद्यम द्वारा क्या कदम उठाए जा रहे हैं।

(5) सामाजिक उद्यम उप-विनियम (3) के अनुसार प्रकट की गई जानकारी में होने वाले किसी बदलाव की सूचना (जरूरी स्पष्टीकरणों के साथ) नियमित आधार पर तब तक देगा, जब तक कि संबंधित घटना महत्वपूर्ण बनी रहे।

(6) सामाजिक उद्यम, यथास्थिति, सोशल स्टॉक एक्सचेंज (एक्सचेंजों) या स्टॉक एक्सचेंज (एक्सचेंजों) द्वारा किन्हीं घटनाओं या जानकारी के संबंध में पूछे गए सभी प्रश्नों के सटीक और पर्याप्त उत्तर देगा:

परंतु यह कि, यथास्थिति, सोशल स्टॉक एक्सचेंज या स्टॉक एक्सचेंज इस प्रकार दी जाने वाली जानकारी तथा इस प्रकार दिए जाने वाले स्पष्टीकरण को यथासंभव जल्द से जल्द प्रसारित करेगा (करेंगे)।

(7) रिपोर्ट की गई किसी घटना या जानकारी के संबंध में सामाजिक उद्यम स्वप्रेरणा से, यथास्थिति, सोशल स्टॉक एक्सचेंज (एक्सचेंजों) या स्टॉक एक्सचेंज (एक्सचेंजों) को यह पुष्टि करेगा कि वह सही है या नहीं।

(8) सामाजिक उद्यम उन सभी घटनाओं या उस समस्त जानकारी को अपने वेबसाइट पर प्रकट करेगा, जो इस विनियम के तहत, यथास्थिति, सोशल स्टॉक एक्सचेंज (एक्सचेंजों) या स्टॉक एक्सचेंज (एक्सचेंजों) को प्रकट की गई हो।

#### समाज को कितना फायदा पहुँचा इस संबंध में सामाजिक उद्यम द्वारा प्रकटीकरण (डिस्कलोज़र)

**91ड.** (1) जो सामाजिक उद्यम या तो, यथास्थिति, सोशल स्टॉक एक्सचेंज या स्टॉक एक्सचेंज के यहाँ रजिस्टर हो या फिर जिसने, यथास्थिति, सोशल स्टॉक एक्सचेंज या स्टॉक एक्सचेंज के जरिए पैसा (फंड) जुटाया हो, उसके लिए सोशल स्टॉक एक्सचेंज या स्टॉक एक्सचेंज को बोर्ड द्वारा समय-समय पर निर्धारित किए जाने वाले फॉर्मेट में 'समाज को कितना फायदा पहुँचा इसकी वार्षिक रिपोर्ट' (एनुअल इम्पैक्ट रिपोर्ट) प्रस्तुत करना जरूरी होगा।

(2) 'समाज को कितना फायदा पहुँचा इसकी वार्षिक रिपोर्ट' (एनुअल इम्पैक्ट रिपोर्ट) की लेखापरीक्षा (ऑडिट) किसी ऐसे सोशल ऑडिट फर्म (सामाजिक लेखापरीक्षा करने वाली फर्म) द्वारा की जाएगी, जिसके यहाँ सोशल ऑडिटर (सामाजिक लेखापरीक्षक) कार्यरत हो।

(3) सोशल स्टॉक एक्सचेंज बोर्ड द्वारा निर्धारित किए गए मानदंडों के अलावा भी और मानदंड निर्धारित कर सकेगा (सकेंगे), जिनकी जानकारी सामाजिक उद्यम द्वारा वार्षिक आधार पर प्रकट की जाएगी।

#### पैसों (फंड) का उपयोग किए जाने के संबंध में विवरण

**91च.** (1) सूचीबद्ध (लिस्टिड) "लाभ न कमाने के उद्देश्य से बना संगठन" जुटाए गए पैसों के उपयोग के संबंध में सोशल स्टॉक एक्सचेंज (एक्सचेंजों) को निम्नलिखित विवरण, तिमाही आधार पर प्रस्तुत करेगा:-

(क) कितनी रकम जुटाई गई (श्रेणी के अनुसार);

(ख) कितनी रकम का उपयोग किया गया (श्रेणी के अनुसार);

(ग) कितनी रकम शेष रह गई।

(2) जिस रकम का उपयोग न किया गया हो उसे एक अलग बैंक खाते में रखा जाएगा, और उसे दूसरे फंड के साथ नहीं मिलाया जाएगा।

(3) उप-विनियम (1) के तहत प्रस्तुत किए जाने वाले विवरण तब तक प्रस्तुत किए जाते रहेंगे, जब तक निर्गम (इश्यू) से आए समस्त पैसों (फंड) का पूरी तरह से इस्तेमाल न कर लिया जाए या वह उद्देश्य पूरा न हो जाए जिसके लिए वे पैसे जुटाए गए थे।”

माधवी पुरी बुच, अध्यक्ष

[विज्ञापन III/4/असा./192/2022-23]

**पाद टिप्पण :**

1. भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] विनियम, 2015, सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2015-16/013, 2 सितम्बर 2015 को भारत के राजपत्र में प्रकाशित हुए थे।
2. भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] विनियम, 2015 तत्पश्चात् :
  - क) 22 दिसम्बर, 2015 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (संशोधन) विनियम, 2015, अधिसूचना सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2015-16/027, द्वारा
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  - ङ) 15 फरवरी, 2017 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (संशोधन) विनियम, 2017, अधिसूचना सं. सेबी/एल.ए.डी./एन.आर.ओ./जी.एन./2016-17/29, द्वारा
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  - छ) 9 मई, 2018 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (संशोधन) विनियम, 2018, अधिसूचना सं. एसईबीआई/एलएडी-एनआरओ/जीएन/2018/10, द्वारा
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- ड) 29 मार्च, 2019 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (संशोधन) विनियम, 2019, अधिसूचना सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2019/07, द्वारा
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- ण) 27 जून, 2019 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (तीसरा संशोधन) विनियम, 2019, अधिसूचना सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2019/22, द्वारा
- त) 29 जुलाई, 2019 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (चौथा संशोधन) विनियम, 2019, अधिसूचना सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2019/28, द्वारा
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- द) 10 जनवरी, 2020 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (संशोधन) विनियम, 2020, अधिसूचना सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2020/02, द्वारा
- ध) 17 अप्रैल, 2020 को भारतीय प्रतिभूति और विनियम बोर्ड (रेग्युलेटरी सैंडबॉक्स) (संशोधन) विनियम, 2020, सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2020/10, द्वारा
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- प) 8 अक्टूबर, 2020 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (तीसरा संशोधन) विनियम, 2020, अधिसूचना सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2020/33, द्वारा
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- भ) 3 अगस्त, 2021 को भारतीय प्रतिभूति और विनियम बोर्ड (रेग्यूलटरी सैंडबॉक्स) (संशोधन) विनियम, 2021, सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2021/30, द्वारा
- म) 3 अगस्त, 2021 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (तीसरा संशोधन) विनियम, 2021, अधिसूचना सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2021/35, द्वारा
- य) 13 अगस्त, 2021 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (चौथा संशोधन) विनियम, 2021, अधिसूचना सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2021/42, द्वारा
- कक) 7 सितम्बर, 2021 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (पाँचवाँ संशोधन) विनियम, 2021, अधिसूचना सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2021/47, द्वारा
- खख) 9 नवम्बर, 2021 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (छठा संशोधन) विनियम, 2021, अधिसूचना सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2021/55, द्वारा
- गग) 24 जनवरी, 2022 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (संशोधन) विनियम, 2022, अधिसूचना सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2022/66, द्वारा
- घघ) 22 मार्च, 2022 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (दूसरा संशोधन) विनियम, 2022, अधिसूचना सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2022/76, द्वारा
- ङङ) 11 अप्रैल, 2022 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (तीसरा संशोधन) विनियम, 2022, अधिसूचना सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2022/79, द्वारा
- चच) 25 अप्रैल, 2022 को भारतीय प्रतिभूति और विनियम बोर्ड [सूचीबद्धता (लिस्टिंग) बाध्यताएँ और प्रकटीकरण अपेक्षाएँ] (चौथा संशोधन) विनियम, 2022, अधिसूचना सं. सेबी/एल.ए.डी.-एन.आर.ओ./जी.एन./2022/80, द्वारा

संशोधित हुए थे।

## 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, sub-section (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 IX and before Chapter X, the following Chapter IX-A shall be inserted namely,—

**“CHAPTER IX-A**

**OBLIGATIONS OF SOCIAL ENTERPRISES**

**Applicability**

**91A.** 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.”

MADHABI PURI BUCH, Chairman

[ADVT.-III/4/Exty./192/2022-23]

#### **Footnotes:**

1. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 were published in the Gazette of India on 2<sup>nd</sup> September 2015 vide No. SEBI/LAD-NRO/GN/2015-16/013.
2. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, were subsequently amended on:
  - a) December 22, 2015 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2015 vide notification No. SEBI/LAD-NRO/GN/2015-16/27.

- b) May 25, 2016 by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2016 vide notification No. SEBI/LAD-NRO/GN/2016-17/001.
- c) July 8, 2016 by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 vide notification no. SEBI/ LAD-NRO/GN/2016-17/008.
- d) January 4, 2017 by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2016 vide notification No. SEBI/ LAD-NRO/GN/2016-17/025.
- e) February 15, 2017 by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2017 vide notification No. SEBI/LAD/NRO/GN/2016-17/029.
- f) March 6, 2017 by the Securities and Exchange Board of India (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017 vide Notification No. LAD-NRO/GN/2016- 17/037 read with March 29, 2017 by Securities and Exchange Board of India (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017 vide notification No. SEBI/LAD/NRO/GN/2016-17/38.
- g) May 9, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 vide notification No. SEBI/LAD-NRO/GN/2018/10.
- h) May 30, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2018 vide notification No. SEBI/LAD-NRO/GN/2018/13.
- i) June 1, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2018 vide notification No. SEBI/LAD-NRO/GN/2018/21.
- j) June 8, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018 vide notification No. SEBI/LAD-NRO/GN/2018/24.
- k) September 6, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2018 vide notification No. SEBI/LAD-NRO/GN/2018/30.
- l) November 16, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2018 vide notification No. SEBI/LAD-NRO/GN/2018/47.
- m) March 29, 2019 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2019 vide notification No. SEBI/LAD-NRO/GN/2019/07.
- n) May 7, 2019 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2019, vide notification No. SEBI/ LAD-NRO/GN/2019/12.
- o) June 27, 2019 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2019, vide notification No. SEBI/ LAD-NRO/GN/2019/22.
- p) July 29, 2019 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2019, vide notification No. SEBI/ LAD-NRO/GN/2019/28.
- q) December 26, 2019 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2019, vide notification No. SEBI/ LAD-NRO/GN/2019/45.

- r) January 10, 2020 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2020, vide notification No. SEBI/ LAD-NRO/GN/2020/02.
- s) April 17, 2020 by the Securities and Exchange Board of India (Regulatory Sandbox) (Amendment) Regulations, 2020 vide no. SEBI/LAD-NRO/GN/2020/10.
- t) August 5, 2020 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2020, vide notification No. SEBI/ LAD-NRO/GN/2020/25.
- u) October 8, 2020 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2020, vide notification No. SEBI/ LAD-NRO/GN/2020/33.
- v) January 8, 2021 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2021, vide notification No. SEBI/ LAD-NRO/GN/2021/02.
- w) May 5, 2021 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, vide notification No. SEBI/ LAD-NRO/GN/2021/22.
- x) August 3, 2021 by the Securities and Exchange Board of India (Regulatory Sandbox) (Amendment) Regulations, 2021 vide notification no. No. SEBI/LAD-NRO/GN/2021/30.
- y) August 3, 2021 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2021, vide notification No. SEBI/ LAD-NRO/GN/2021/35.
- z) August 13, 2021 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2021, vide notification No. SEBI/ LAD-NRO/GN/2021/42.
- aa) September 7, 2021 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2021, vide notification No. SEBI/ LAD-NRO/GN/2021/47.
- bb) November 9, 2021 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, vide notification No. SEBI/ LAD-NRO/GN/2021/55.
- cc) January 24, 2022 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2022, vide notification No. SEBI/LAD-NRO/GN/2022/66.
- dd) March 22, 2022 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2022, vide notification No. SEBI/LAD-NRO/GN/2022/76.
- ee) April 11, 2022 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2022, vide notification No. SEBI/LAD-NRO/GN/2022/79.
- ff) April 25, 2022 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2022 vide notification No. SEBI/LAD-NRO/GN/2022/80.



# MGNREGA Social Audit Report

Analytical Overview of the Public Information Available on NREGA MIS

## Background

- Social audit is a powerful tool to enforce transparency, accountability and democratic participation in governance.
- Its origins lay in the extraordinary efforts made by social movements and people's campaigns to democratize the demand for accountability, and speaking truth to power. However, it's breakthrough in terms of institutionalization came in the form of it being mandated under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).
- Social Audit's institutional architecture as provided for under the MGNREGA has advanced possibilities of extending social audit to other programmes as well. This includes the National Food Security Act, Persons with Disabilities Act, National Social Assistance Programme, Pradhan Mantri Awaas Yojana, Pradhan Mantri Gram Sadak Yojana, Building and other Construction Workers (BoCW) and the Juvenile Justice acts to name a few, where the Parliament and Government through legislations and executive orders or even the Supreme Court through a directive have mandated social audits.
- In order to ensure independence, credibility, and quality of social audits, the apex audit institution in the country, the Comptroller and Auditor General (C&AG) of India laid down minimum auditing standards for social audits in 2015 that for the first time laid out the minimum standards and norms of social audits, irrespective of where they are applied.
- Social Audit Units (SAUs) have been set up in nearly all states of the country to facilitate social audit by the Gram Sabha. In addition to MGNREGA, some of the Social Audit Units (SAUs) are facilitating social audit of other schemes including Pradhan Mantri Awas Yojana-Gramin (PMAY-G), National Social Assistance Programme (NSAP), Integrated Child Development Services (ICDS), Mid-day Meal (MDM) and Public Distribution System (PDS).
- According to the Center for Social Audit (CSA) at the National Institute of Rural Development and Panchayati Raj<sup>1</sup>, The nature of the SAUs and the quality of the audits vary widely. In some States, the SAUs are very independent while in others, they do not have the independence to function effectively because of directors being selected in an arbitrary manner; SAU's having to depend on implementing agencies for hiring and fund release; representation of civil society organizations in Governing Bodies not being entirely independent etc. Some States are also doing audits on a very small scale. Lack of adequate full-time personnel, lack of adequate funds, lack of action on the findings by the implementation agencies, lack of an effective MIS to record the findings and track the action taken have all served to limit the potential of Social Audit.

## Overview of the status of Social Audit Units in India

- The Auditing Standards say that the SAU should be incorporated as a society under the Societies Registration Act. However, according to the Center for Social Audit report<sup>2</sup>, as of November 2019, only 22 SAUs have done this.

- The Annual Master Circular (AMC) specifies that the Secretary of the Department of Rural Development / Panchayati Raj should not chair the Governing Body. The GB should be chaired by a senior officer or eminent person. However, this is not followed in 9 out of 25 states.
- The auditing standards say that the GB should meet at least once in a quarter, but in 9 states, according to the CSA3, the GB did not meet even once in 2018-19, as of November 2019.
- The Audit of Scheme Rules say that at no time should the implementation agency interfere with the conduct of social audit but in 12 states, SAU requires the approval of an implementation agency to operate its bank account. Apart from this, in nine States, the implementation officers have to certify the attendance of resource persons, make payments to the resource persons or supervise the social audit resource persons.
- *Thus, about half of the SAUs are not independent and this seriously undermines their functioning and effectiveness.*
- Apart from implementing Social Audit in MGNREGA, some SAUs also conduct social audits of other schemes as shown below.

Scheme Name	Audits in Scale	Pilot Audits
Pradhan Mantri Awas Yojana - G	Meghalaya, Uttar Pradesh, West Bengal	Jharkhand
National Social Assistance Programme	Andhra Pradesh, West Bengal, Odisha and Himachal Pradesh	
Public Distribution System	Bihar	Jharkhand, Andhra Pradesh, Madhya Pradesh, Karnataka
Mid Day Meal		Karnataka, Telangana & Jharkhand
ICDS	Telangana	
Swachh Bharat Mission-G	Karnataka, Jharkhand, Telangana	Madhya Pradesh
14 <sup>th</sup> Finance Commission Grant	Jharkhand	Madhya Pradesh
National Health Mission		Jharkhand & Uttarakhand
Juvenile Justice Act		Bihar, Delhi, HP & other states
BoCW Act		Delhi, Rajasthan
IWMP	Andhra Pradesh	

Source: NIRD - National Seminar on Social Audit of Rural Development Programs

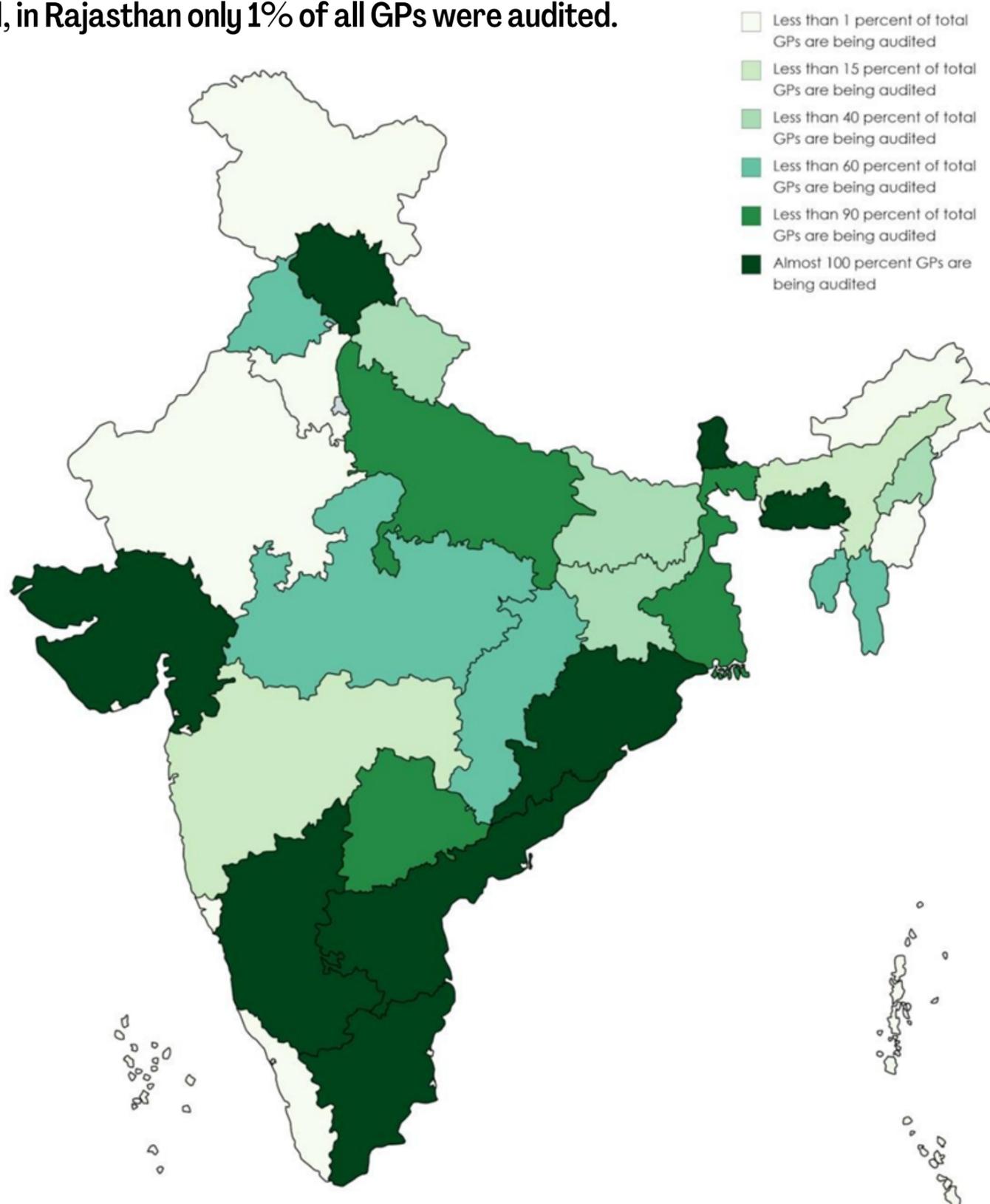
## Focus of this Brief

This brief looks at the Social Audit data available on the NREGA MIS for the financial years 2018-19 and 2019-20, which is updated by the state SAUs. The purpose of this brief is to understand the implementation status of the social audit mandate as per the MGNREGA, analyze key issues identified during Social Audit, and track the

status of follow-up and grievance redressal post social audit. It is important to review the practice of social audits in the very context that it was first institutionalized (i.e. the MGNREGA), so that lessons can be drawn for its application in other areas. The NREGA website is currently the only centralised, publicly available database of social audit reports whereas audit reports for all schemes should be similarly publicly disclosed.

## NREGA Social Audit Implementation Status

- In the FY 2018-2019, around 45 percent of the total gram panchayats (GPs) underwent social audits at least once. In the FY 2019-2020, around 56 percent of the total GPs underwent social audit at least once.
- The implementation has a lot of variation across states. While in Tamil Nadu and Meghalaya, nearly all GPs were audited, in Rajasthan only 1% of all GPs were audited.



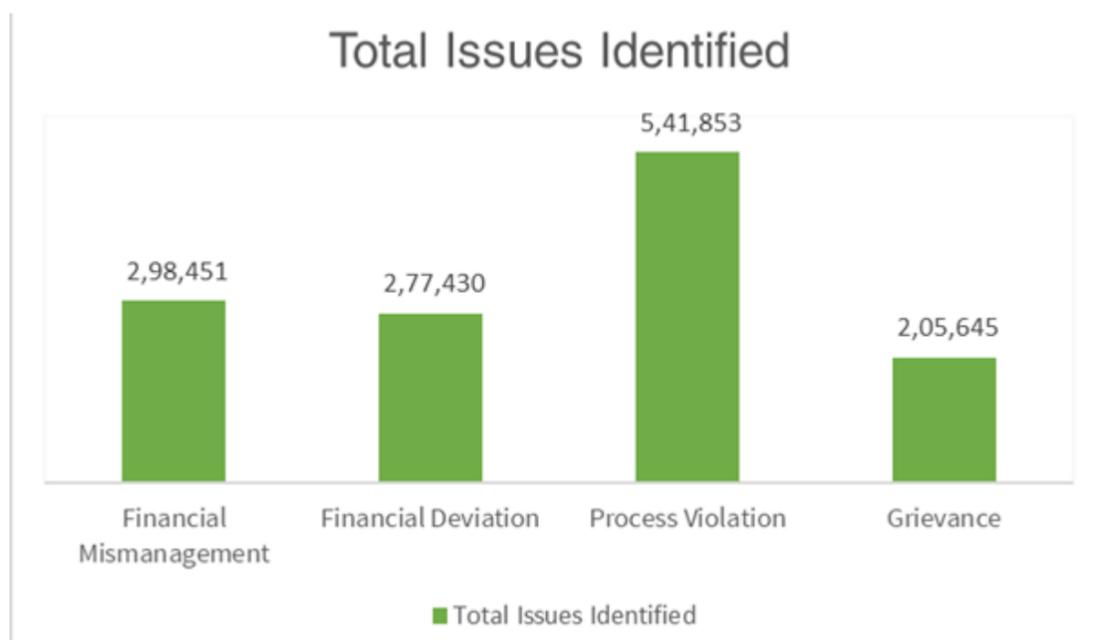
Source: MGNREGAMIS, Social Audits Completed Report (R.9.1.3) as accessed on Oct 30th, 2020

## Key steps in conducting a social audit:

- Agreeing on parameters of audit and defining the scope of audit
- Accessing official records from the Government regarding the status of implementation
- Identifying and training local youth, children of beneficiaries and volunteers on the audit practice
- Proactive dissemination of records in the local community
- Verification of official records with actual realities
- Facilitating eligible beneficiaries and registration of grievances
- Documenting findings and sharing it in a public collective platform i.e. Social Audit Public Hearing which is attended by the local community, implementing agencies and facilitated by the social audit teams. This is a forum where implementing agencies announce the action to be taken on findings individually
- Social Audit reports shared with implementing agency and in the public domain for action to be taken within a stipulated time period

## There are four main types of issues that emerge during the social audit of NREGA:

Issue Type	Bucket of Issues (Examples)
Financial Misappropriation	- Payment to person who did not work: payment to non-existent person
	- Material procurement concerns: material procured at high rates
Financial Deviation	- Work selection: work taken up without gram sabha approval
	- Work execution: significant difference between measurement at worksite and recorded values in MB (measurement book)
Process Violation	- Transparency and Accountability: job cards aren't with workers
	- Work Selection: Shelf of work isn't available
	- Denial of entitlements: Non-payment of unemployment allowance, people eligible to work denied work, separate schedule of rates etc.
Grievance	- Job Card related: unable to get job card
	- Work related: Unable to get work
	- Aadhar/bank related: unable to get Aadhar card, unable to open bank account, unable to get passbook, unable to link Aadhar with bank account etc.



- Total number of issues identified in social audits between 2018 and 2020 are **more than 13 lacs.**
- Only **16 percent** of the total issues identified have been **closed till date.**

## Key Findings

### 1. Social Audits identified close to 3 lakh cases of financial misappropriation amounting a total of Rs 658 Crore, combining audits of both 2018-19 and 2019-20.

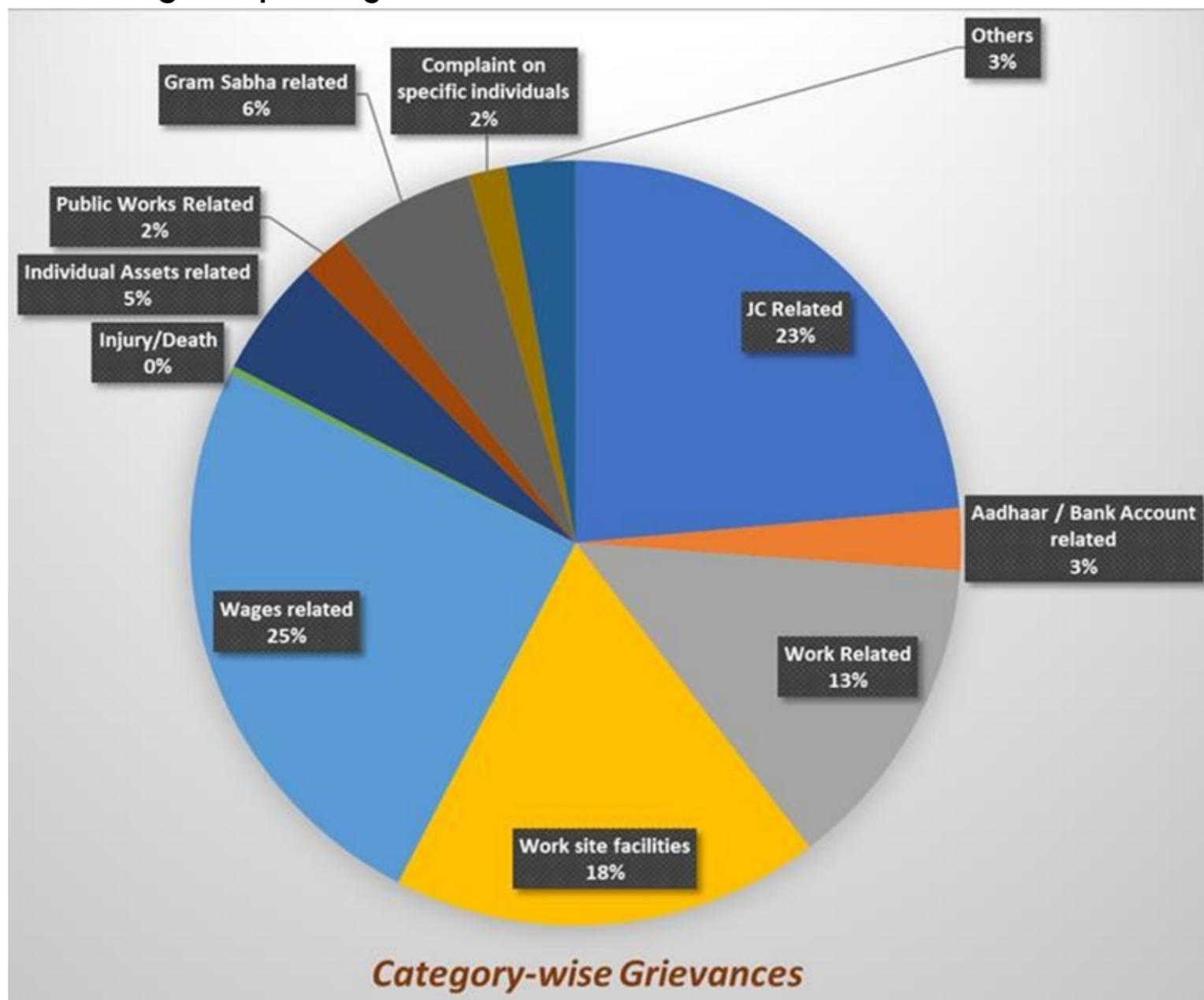
- 60 percent of these financial misappropriation cases pertain to issues of payment to persons who did not work under NREGA.
- According to the Auditing Standards for Social Audit issued by the C&AG, the District Programme Coordinator responsible for the implementation of the policy at a district level shall ensure that recoveries are made in cases of embezzlement or improper utilization.
- The recovery, however, has been abysmal and less than 1 percent of the total amount has been recovered till date.
- Example of some states who have reported the highest amounts of financial misappropriation are as below.

States	Cumulative Report (FY 2018-19 and 2019-20)		
	Misappropriation Amount	Recovered Amount	Recovery (%)
Andhra Pradesh	172.24 Crore	2.03 Crore	1.18%
Tamil Nadu	153.23 Crore	12.30 Lac	0.08%
Karnataka	116.69 Crore	-	0.00%
Telangana	84.65 Crore	1.14 Crore	1.35%
Jharkhand	30.41 Crore	5.75 Thousand	0.00%
Chhattisgarh	26.38 Crore	26.04 Lac	0.99%
Uttar Pradesh	18.49 Crore	4.85 Lac	0.26%
Bihar	12.36 Crore	1.59 Thousand	0.00%
Odisha	3.99 Crore	6.71 Lac	1.68%
West Bengal	2.14 Crore	14.80 Thousand	0.07%
Madhya Pradesh	0.86 Crore	1.67 Lac	1.94%
<b>Total</b>	<b>621.48 Crore</b>	<b>3.69 Crore</b>	<b>0.59%</b>

Source: MGNREGA MIS, Action Taken Report (R.9.3.1) as accessed on October 30th, 2020

## 2. More than 2 lakh total grievances were registered during social audits

- Most of the grievances recorded during social audit were about wage issues, job cards, and work and work site related.
- These grievances also reflect in the checklist report on MIS, which provides information on the status of MGNREGA implementation in form of a checklist, with yes/no questions.
- Close to 50 percent of total GPs audited between 2018 and 2020 have reported that the labors have problems getting wages from the payment agency.
- More than 50 percent of total GPs audited between 2018 and 2020 have reported that there is unmet demand for working their panchayats.



Source: MGNREGA MIS, Issues Reported by Category (R.9.2.3) as accessed on Oct 30th, 2020

*Note: The MIS has discrepancies in data uploaded for the numbers of issues under three categories - Aadhar/bank related, individual assets related, and public works related - as the numbers put on the MIS don't add up to the total number of grievances registered under the summary reports as well as state-wise frequency reports. We have considered the total number of grievances as per the summary report and have adjusted the numbers for these three categories accordingly. The final numbers mentioned in the chart are suggestive and not definitive.*

### 3. Approximately Rs 58 Crore worth of wages were found due to NREGA workers during social audit;54 Crore are still pending

- Despite the fact that almost 2/3rd of total states audit less than 50 percent of their GPs every year as well as independence of around half of the SAUs is compromised, the social audits have found Rs 58 Crore worth of wages pending between 2018 to 2020 vis-a-vis 9,108 Crore according to the delayed payment reports submitted by the implementing agencies of various state governments for the FY 2018-19 and FY 2019.
- The social audit process not only substantiates such large pendency of wages reported by the government itself but also highlights a very poor rate at which the due wages are being paid to the workers.
- Social audits currently capture less than 1 percent of pending wages recorded by various state governments. Such a stark gap between social audit findings and reports submitted by the implementing agencies, also underscores the possibilities for social audits of MGNREGA at the state level.

Year	Pending wages as submitted by states	Pending wages as identified during SA	Wages paid as per the social audit ATR
18 - 19	5,969 Crore	41 Crore	3 Crore
19 - 20	3,139 Crore	17 Crore	76 Lakh
<b>Total</b>	<b>9,108 Crore</b>	<b>58 Crore</b>	<b>3.76 Crore</b>

Source: MGNREGA MIS, Delayed Payment Report (R.14.5) and Action Taken Report (R.9.3.1) as accessed on October 30th, 2020

### 4. Public records worth Rs 203 Crore were not provided to the social audit teams, which is a violation of Section 4 of the RTI act

- NREGA (2005) mandates the Gram Panchayats to make available all relevant documents including the muster rolls, bills, vouchers, measurement books, copies of sanction orders and other connected books of account and papers to the Gram Sabha for the purpose of conducting the social audit.
- The auditing standards for social audits issued by the C&AG also requires all state implementing agencies to provide all the required information and records (along with their photocopies) to the social audit team at least 15 days before the date of Social Audit Gram Sabha meeting in order to provide enough time for assimilation and verification. The standards also specify that non provision of documents/records to social audit teams will be considered as a violation of Section 4 of the RTI Act.
- Despite this, public records worth 203 Crore were not provided to the social audit teams prior to the social audits.

Year	Number of issues identified	Worth of records not produced
18 - 19	5,572	129 Crore
19 - 20	6,692	74 Crore
<b>Total</b>	<b>12,264</b>	<b>203 Crore</b>

Source: MGNREGA MIS, Issue Reported by Category(R.9.2.3) as accessed on October 30th, 2020

## 5. Processes around transparency, accountability, and maintenance of registers and records are violated the most in the implementation of MGNREGA

- Social audits have identified more than 5 lac issues of process violation, the largest bucket of all, during social audits between 2018 and 2020.
- More than 80 percent of the process violation issues fall under transparency and accountability concerns, and poor maintenance of registers, records etc.



Source: MGNREGA MIS, Issue Reported by Category(R.9.2.3) as accessed on Oct 30th, 2020

## Recommendations

### 1. Fast-track follow up on the social audit findings and ensure time-bound grievance redressal

- Ensure full recovery in the issues of financial misappropriation and take necessary administrative action with persons involved.
- Clear payment backlog and pay due wages in full to the workers.

### 2. Conduct Concurrent Audits and make reports accessible to public

- Ensure the implementation of concurrent social audits in compliance of the guidelines issued by the Ministry of Rural Development to all the SAUs.

- Put audit reports from the concurrent social audits in public domain in a time- bound manner and ensure regularity as well as consistency of information.

### **3. Ensure that latest/most updated social audit reports are available to the**

- MoRD should conduct regular quality checks as well as data audits to eliminate data inconsistencies as well as prevent lag in data entry.
- In addition to the central NREGA MIS, all SAUs should also have their own public website in order to make all the social audit reports of different schemes accessible to public.

### **4. Include the summary of social audit reports in the annual report laid in the Parliament**

- The Ministry of Rural Development should include the summary of social audit reports in the annual report laid in the Parliament, which also is a recommendation from the Task Force set up by the Ministry in consultation with the C&AG6.

#### **End Note:**

1. National Seminar on Social Audit of Rural Development Programs, NIRDPR, November 2019
2. Status of Social Audit in India, NIRDPR, 2019
3. Concurrent Social Audit Guidelines, Ministry of RD, 2020
4. Status of Concurrent Social Audits, NIRDPR, 2019
5. MoRD Letter to the State Governments on C&AG Action Points for Compliance, 2016

# Case Studies



# Highland Home Carers

Highland Home Carers (HHC) was founded in 1994 and became a Limited Company in April 2001. It is currently the largest independent provider of care at home in the Highland region and is at the forefront of the social care field in Scotland. The former owner wanted to secure the future of the company as an independent Highland company for its employees and service users, and opted for the model of Employee Ownership. In July 2004 a deal was concluded to transfer the ownership of the company into the hands of the employees (now referred to as Partners) by means of loan finance.



In 2007 HHC was introduced to Social Accounting as a model of quality assurance that fitted the organisation. Each year since that initial pilot, HHC has produced a set of social accounts, the majority of which have been successfully presented to an audit panel.

During the social accounting period 2014-15, HHC employed 417 partners. The commitment to full employee-ownership is demonstrated in a number of ways:

- All partners have a vote each year to elect a new employee Director and new Trustee – the elected person serves for 3 years.
- Partners who have worked for HHC for at least 3 months qualify to receive free shares in the Company. Through a Share Incentive Plan (SIP), shares are given to qualifying partners each year to signify their ownership of the company. The shares can be sold back to the company after a certain holding period dictated by the Inland Revenue (HMRC), and the market remains an entirely internal one.

Highland Home Carers continues to expand with 512 service users in the 2014-15 social accounting period. Service users are at the heart of Highland Home Carers and partners work closely with them and their families to provide care and support tailored to their individual needs.

HHC provides a high quality flexible service, which allows people to remain independent in the comfort of their own home.

HHC are striving to achieve the following outcomes, and use their social accounting to check on whether they are delivering them:

- Service users retaining their independence; remaining in their own home and community
- Service users being enabled to have choice and control
- Employing local people
- Increasing partners' skill levels & confidence through ongoing training
- Partners being fully included in the company, having a voice within it
- Creating more opportunities for employee development
- Financial benefits for partners (e.g. free share allocation annually)

# Highland Home Carers

The longer term impact that HHC hopes to achieve is ‘Service Users living healthier, happier and longer by remaining in their own homes. Partners having sustainable employment in their local areas and feeling involved and valued. Contributing to the local economy; keeping money in the local area by using local facilities and suppliers where possible.’

Highland Home Carers was invited by Co-operative Development Scotland (CDS) in 2007 to enrol in a Social Accounting and Audit Pilot Initiative which was led by the Social Audit Network (SAN). 2014-15 is the eighth set of social accounts that HHC has produced, and on each occasion it has been a home-grown product. Following the success of the initial pilot study, the company realised that social accounting was a valuable method of measuring the quality of the service provided and gauging the company’s impact on its main stakeholders. It also enabled HHC to receive vital feedback on performance and areas which require improvement. The information gathered within the social accounts assists HHC to improve practice thus benefiting Service Users and Partners.

The organisation believes that the social accounts report is a valuable tool during the Care Inspectorate’s inspection and regulation. Chief Executive Stephen Pennington describes how ‘the social accounting process helps us to concentrate on the areas that need attention. He also believes that ‘the Social Accounts Report helps us to promote our Company. We have evolved in our use of Social Accounts from being primarily a descriptive process of what we are doing, to attempting to measure outcomes. This is an ongoing process, and I think we are learning all the time.

The following quotations are taken from the 2014-15 social accounts:

*‘Extremely pleased with the level of care to me, not just my needs’ (Service User).*

‘They really do care - it's not just a job to them and this is so very evident in their quality they give. They get to know and understand the person's way of life and fit in to that. They are adaptable. All this adds quality to my aunt’s life and makes a big difference also to us as a family. Thank you’ (Family member).

‘ HHC provides professional services to a wide variety of Service Users with personal touches tailored to the individual’s needs which sets us aside from other firms, HHC see the people not just the job - we are there to do’ (Partner).

‘I think HHC is a fair and good employer, and is also one of the best examples of employee ownership I know. The company constantly reviews how the employee owners are involved in the business, and consistently reviews the model to ensure it is fit for purpose’ (Non-Executive Trustee).

Further information can be found at Highland Home Carers’ website [www.highland-home-carers.co.uk](http://www.highland-home-carers.co.uk)

## ALL SAINTSACTION NETWORK (ASAN)

ASAN is a community based charitable company operating as a development trust and community enterprise in All Saints, Wolverhampton. Its Board of Management is made up of primarily local residents. Its ambitions to regenerate All Saints and its neighbouring communities stretch across a varied range of different activities including business development, sports, training, project development, managed workspace, crime reduction, housing management and property investment. ASAN aims to improve the quality of life for those who live and work in All Saints through the creation of jobs, provision of local services, training opportunities and the establishment of a community owned asset base. It was established in 1995, took on their first employee in 2000, and have been writing social accounts since 2002.



ASAN's mission is to:

*“Work in partnership to create a sustainable organisation responsive to local needs through the development and management of enterprise, employment and environmental projects.”*

Every year ASAN goes through a process of Social Accounting to determine what impact they are making on the people that they serve. This information is compiled into a document that is then independently audited. Social Accounting is a process which ASAN undertakes using its own resources. It is something that they are committed to do to demonstrate to those they work with how performance is developing and hopefully improving.

Social accounting is intimately linked to ASAN's business planning process. The accounts are completed in November and approved by AGM. In January they have a business planning event for the coming financial year - social accounts feed into their action plan. For example, should stakeholders highlight something not working, not living up to a particular value, ASAN would ensure that the business plan directly addresses this.

There has been emphasis on using the social accounting process to directly influence shaping the organisation's business planning, meaning that there is a tendency to see social accounting as a performance management tool. If done properly social accounting should be providing more feedback through engagement. This means ASAN is living up to what they're trying to achieve.

In the next social accounting/audit cycle ASAN plans to extend the stakeholder and engagement process to capture more feedback on outcomes, and not just on performance. They want to live up to their values and achieve wider outcomes rather than just service feedback.

Having done social accounting for so long, it means that it's become embedded in the organisation's practices, accepted by all staff. They collect data on performance indicators, consultation and engagement with stakeholders. This means that they encounter fewer difficulties with those stakeholders because there is an ongoing dialogue.

## **ALL SAINTSACTION NETWORK (ASAN)**

Social accounting is easier for a bigger organisation because more people to work on it; the only struggle is funding. ASAN has not been immune from the continuing economic down turn and funding cuts, which are affecting organisations serving communities in greatest need across the country. During their latest social accounting period they have lost funding for both the All Saints Children's centre and the Community Maintenance Service. ASAN has responded by using its own resources generated through enterprising activities to underpin the delivery of much needed community services.

ASAN has started to measure its economic value:

Total incoming resources: £788,548 Total resources expended £785,554

- ASAN employs 26 staff, 15% of which live in the local area.
- 70% of ASAN's income was generated through enterprise activity, which is an improvement on the 61% in the last social accounting period. The remaining 30% was grant funding – mainly to deliver Children's Centre services on behalf of the City Council in All Saints.
- 10% of the money ASAN spends goes to local businesses within the WV2 area of Wolverhampton. A further 21% is spent with Wolverhampton based businesses and another 25% on businesses located in the West Midlands but outside Wolverhampton

ASAN engages in social accounting on a year on year basis and as such has developed an approach to consulting with its stakeholders which enables them to understand better the relationship and how they can improve that relationship. Initially ASAN attempted to engage with all stakeholders in this social accounting cycle. However this proved not to be feasible and they started prioritising stakeholders, but are quite open about who was and was not consulted.

Further information can be found at ASAN's website [www.asan.org.uk](http://www.asan.org.uk)

# Unlimited Potential

Unlimited Potential is a social enterprise that specialises in social innovation for happiness. It aims to help people fulfil all of their rich potential through leading happier and healthier lives. It also helps people to develop their skills and abilities to fulfil their potential, and aims to be a happy and healthy enterprise with the best possible impact for people and a sustainable world. Unlimited Potential is a social enterprise founded in 2002 as a company limited by guarantee and changed its status to a community benefit society in 2009. The same year, it reached financial independence.



As a business operating to achieve a social purpose, it was important for Unlimited Potential to prove financial accountability to all key stakeholders as well as measure, monitor and communicate about the social, economic and environmental benefits of services provided.



For each of its services, Unlimited Potential uses a range of tools: reporting the quantitative outcomes produced; providing qualitative evidence in the form of quotes and case studies from clients (under the responsibility of service managers); and preparing audited social accounts annually by using the framework provided by the Social Audit Network.

The organisation has also been involved in social return on investment and other measurement processes.

The added social value (social, economic and environmental impacts) of the organisation in 2014-2015 were:

## **Social impact:**

There were 56 members at 31 March, 2015, a decrease of 11.1% from 63 at 31 March, 2014. 24 Supporters attended the Annual Meeting on 23 October, 2014, a 7.7% reduction from 26 on 24 October, 2014.

There were 4 Advisory Council Members at 31 March, 2015; a decrease of 50.0% since 31 March, 2014. The Advisory Council held 5 meetings in 2014-2015, compared to 6 in 2013-2014.

## **Economic impact:**

In 2014-2015, the proportion of non-direct/staffing expenditure spent with ethical suppliers was 40.36%, a decrease from 41.52% in 2013-2014.

At the end of 2014-2015, 84.6% of employees (22 out of 26) were local residents (living within five miles of their normal work base), an increase from 80.0% at the end of 2013-2014.

# Unlimited Potential

## Environmental impact:

The Society's environmental impact against its key performance indicators in 2014-2015 was:

- energy efficiency: 0.451 tonnes CO<sub>2</sub>e per person; an 11.6% reduction on 2013-2014 (0.510 tonnes CO<sub>2</sub>e per person equivalent)
- waste and emissions:
  - total bins – 54.5 per person; an 8.6% decrease on 2013-2014 (59.6 bins per person)
  - total CO<sub>2</sub>e travel emissions –
    - commuting: 0.625 tonnes CO<sub>2</sub>e per person; a 7.3% decrease on 2013-2014 (0.674 tonnes CO<sub>2</sub>e per person)
    - business-related travel: 0.213 tonnes CO<sub>2</sub>e per person; a 3.7% decrease on 2013-2014 (0.221 tonnes CO<sub>2</sub>e per person)

Unlimited Potential's success factors are: the capacity of providing innovative solutions by attracting resources that others may miss; reinvesting surpluses in high-risk social innovation projects. Existing customers see Unlimited Potential's ability to involve marginalised people, develop person-to-person contacts with all stakeholders, and maximise employment of local people as some of its critical success factors.

Unlimited Potential believes that if other organisations across the NHS / health system implemented the changes reflected in this case study, the impact could be huge. Adopting social accounting and audit as an integral part of an organisation focuses activity and measurement on both core and added social value and each year helps towards continuous improvement in social, environmental and economic impact. If Unlimited Potential can make the difference that it has on a relatively small annual budget of under £1 million, what difference might the health and social care system make with its budget of around £100 billion?

“Everyone has been so supportive and helped me give up. Mum's been smoking 50 years and now she's given up as well.” (Smoke-Free Spaces client).

“It's helped my confidence and helped me get back into a social life. It's been my medicine to make me better. They've all helped and I've found myself as a person.” (Time Bank member).

“I was underweight, and now I have put on weight so I'm feeling better in myself.” (Young client of Re- Energise).

## CONTACT DETAILS

Further information can be found at Unlimited Potential's website [www.unlimitedpotential.org.uk](http://www.unlimitedpotential.org.uk)

# PROCEDURE FOR REGISTRATION OF A MEMBER WITH ICMAI SAO

## Eligibility Criteria for Social Auditor

### A. An Individual if he

- holds the required qualification and experience;
- have attended a course at the National Institute of Securities Markets (NISM) and received a certificate of completion after successfully passing the course examination; and
- is registered with a Self-Regulatory Organisation (SRO) [e.g., ICMAI Social Auditors Organization]

B. A Firm/Institution that has partners/employees who meet with the criteria for being a social auditor and has a track record of minimum three years for conducting social impact assessment.

## Eligibility Qualification & Experience for Social Auditor

- Post-graduates from universities recognized by the University Grants Commission (UGC) with a minimum of 3 years of experience in the development sector, or
- Graduates from universities recognized by the UGC with a minimum of 6 years of experience in the development sector, or
- Cost and management Accountant, Chartered Accountant, or Company Secretary holding valid Certificate of Practice.

No individual shall be eligible to be registered as a Social Auditor if he:-

- is a minor;
- is not a person resident in India;
- does not have the qualification and experience specified in SEBI notification;
- has been convicted by any competent court for an offence punishable with imprisonment for a term exceeding six months or for an offence involving moral turpitude, and a period of five years has not elapsed from the date of expiry of the sentence.

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be registered;

- he is an undischarged insolvent, or has applied to be adjudicated as an insolvent;
- he has been declared to be of unsound mind; or
- he is not a fit and proper person.

Explanation: For determining whether an individual is fit and proper ICMAI SAO may take account of any consideration as it deems fit, including but not limited to the following criteria-

- integrity, reputation and character,
- absence of convictions and restraint orders, and
- competence,

## Procedure for Enrolment as a member

**Entry of Application :** Entry for application received for registration of social auditor is to be made in a register maintained by ICMAI SAO followed by stamping of application mentioning date of reception it.

**Acknowledgement of Application :** Every application received is to be acknowledged to the applicant within 7 working days of its receipt via mail.

## **Internal Verification of application along with fee and supporting documents as mentioned in enrolment Form.**

- Registered form – duly completed
- Passport-size photo
- Copy of proof of residence
- Self – attested copy of Aadhar card, PAN card and Passport (if available).
- Copies of documents in support of educational qualifications, professional Qualification, Experience, and Social Auditors examination
- Copy of proof of payment of Admission/Enrolment Fee and Annual Fee
- Copy of Self Declaration, the format of the same is annexed with the Enrolment form (Annexure – 1).

## **Verifying Qualification and Experience**

Copies of documents demonstrating qualification, employment and practice as –

- Cost and Management Accountant enrolled with the Institute of Cost Accountants of India.
- Company Secretary enrolled with the Institute of Company Secretaries of India,
- Chartered Accountant enrolled with the Institute of Chartered Accountants of India and/or empaneled with the Comptroller & Auditor General of India.
- Graduate / Post-Graduate from universities recognized by the University Grants Commission (UGC).
- Requisite experience of minimum of 3/6 years in the development sector
- Copies of certificate of employment from the employer(s), specifying the period of such employment.

## **Before registering a person as its Member ICMAI SAO is required to verify the following:**

1. Whether the applicant holds requisite qualifications & experience as indicated above.
2. Whether the applicant holds valid Certificate of Practice if he is a Cost and management Accountant, Chartered Accountant, or Company Secretary.
3. Whether the applicant have attended a course at the National Institute of Securities Markets (NISM) and received a certificate of completion after successfully passing the course examination.
4. Whether the individual/firm/institution holds requisite social sector experience in providing assurance of non-financial information. (e.g., nutrition, education, health, water & sanitation, energy conservation, environment and climate change, etc.)
5. Whether the firm/institution has required number of partners/employees meeting the criteria for being social auditor and has a track record of minimum three years for conducting social impact assessment.
6. Whether any disciplinary proceedings are pending, or any disciplinary action has been taken at any time in the preceding three years against the professional member or firm/institution by the ICMAI, ICAI, ICSI, any SRO or any other regulator.
7. Whether ICMAI, ICAI, ICSI, any SRO or any other regulator has initiated any criminal proceeding against the professional member or firm/institution and is pending for disposal?
8. Whether the professional member/ person had an unblemished service with the last employer if he was in employment? The applicant must submit a conduct certificate from his last employer.

## **External Verification**

The applicants' particulars are sent to verifying authority (ICMAI / ICAI/ICSI) to verify the following:

- Confirmation on verification of Membership Number provided by the Member
- Date of enrolment as member
- Number of years as member, whether he is continued to be member since his enrolment

- Information on whether the Member has ever been found Guilty of Misconduct. If his Membership was removed.
- COP Date
- COP Number
- Firm No.
- Firm Name
- Years of Experience in Practice
- Whether the member is in full-time practice or part-time practice?
- Whether the Member has been in Practice continuously? If not, please mention the block of period during which the Member was in practice and the block of period for which Practice was discontinued

(e) After examination of the application, ICMAI SAO shall give an opportunity to the applicant to remove the deficiencies, if any, in the application.

(f) ICMAI SAO may require an applicant to submit additional documents, information, or clarification that it deems fit, within reasonable time.

(g) ICMAI SAO may reject an application if the applicant does not satisfy the criteria for registration or does not remove the deficiencies or submit additional documents or information to its satisfaction, for reasons recorded in writing.

(h) The rejection of the application shall be communicated to the applicant stating the reasons for such rejection, within thirty days of the receipt of the application, excluding the time given for removing the deficiencies or presenting additional documents or clarification by the ICMAI SAO, as the case may be.

(i) The acceptance of the application shall be communicated to the applicant, along with the registration number.

### **Issuance of Certificate of Enrolment/Registration**

Upon successful registration, Applicant is issued certificate of registration within 7 working days from the date of registration with ICMAI SAO (through courier and via mail)

# Details regarding Social Auditors Examination conducted by NISM



**ICMAI Social Auditors Organisation**

**(A Section 8 Company promoted by The Institute of Cost Accountants of India)**

# Social Auditors Certification Examination

The examination aims to create a pool of social auditors who would assess the impact of social interventions of various social enterprises who raise funds through the Social Stock Exchange platform.

## Examination Objectives

On successful completion of the examination the candidate should:

- Know the basics of social auditing, Code of conduct of Social Auditors.
- Understand the general concepts related to social stock exchange, social audit and social impact assessment.
- Know the Social Impact Reporting disclosures and regulations.

## Assessment Structure

The examination consists of 85 multiple-choice and 3 case-based/caselet questions (each case having 5 questions) totaling to 100 marks. The assessment structure is as follows:

**Multiple Choice Questions**[85 questions of 1 mark each]

**85\*1 = 85**

**Case-based Questions**[3 cases (each cases with 5 questions of 1 mark each)]

**3\*5\*1 = 15**

The examination should be completed in 2 hours. The passing score for the examination is 60. There shall be negative marking of 25 percent of the marks assigned to a question.

## Test Details

Name of Module: NISM Series XXIII: Social Auditors Certification Examination

~ 85 multiple-choice and 3 case-based/caselet questions (each case having 5 questions) totaling to 100 marks.

\* Negative marking – 25% of the marks assigned to the question.

+ Payment Gateway Charges extra.

# Passing Certificate will be issued only to those candidates who have furnished/ updated their Income Tax Permanent Account Number (PAN) in their registration details.

# Frequently Asked Questions (Social Auditors)

## 1. Who can take NISM-Series-XXIII: Social Auditors Certification Examination?

The following persons can take NISM-Series-XXIII: Social Auditors Certification Examination:

- Individuals registered as social auditors
- Employees of Social audit firm
- Students pursuing social work and interested in gaining more knowledge in Social Audit

## 2. How can I register for NISM-Series-XXIII: Social Auditors Certification Examination?

Candidates can register at <https://certifications.nism.ac.in/nismaol/>

After successful registration, candidates may select a test centre, date and time slot of their choice on the Test Administrator website. Candidates are required to follow further instructions available on the Test Administrator websites.

## 3. What is the fee structure?

The fees for “NISM-Series-VIII: Social Auditors Certification Examination” is Rupees One Thousand Five Hundred only (Rs. 1500/-) plus applicable GST.

## 4. What is the assessment structure?

The examination will be of 100 marks, will have 100 questions, and should be completed in 2 hours. There will be negative marking of 25% of the marks assigned to a question. The passing score for the examination is 60%.

## 5. Is there a study material available for preparing for this examination?

You will receive a soft copy of the workbook/study material after enrolment for the examination. For non-receipt of a soft copy of the workbook/study material, you may contact NISM at: [certification@nism.ac.in](mailto:certification@nism.ac.in)

## 6. Do I have to pay for the study material?

You will receive a soft copy of the workbook/study material free of cost after enrolment for the examination. Candidate can buy printed workbooks from Taxmann Publications Private Ltd.

Visit <https://www.taxmann.com/bookstore> to place your orders for NISM workbooks.

If you prefer to order by phone, please call your nearest store directly to place your order. Click here to get the details of your nearest store.

## 7. I have passed NISM Social Auditors Certification Examination, when will I receive the certificate?

Only the candidates who have produced their Income Tax Permanent Account Number (PAN) during registration would receive the NISM Certificate within two weeks of appearing for the examination.

Candidates who produced other identification proofs would not receive the NISM certificate. They would receive only the temporary mark sheet at the end of the examination.

**8. I have not provided my PAN information at the time of taking the certification examination. How do I obtain the certificate?**

Candidates who have not provided their PAN information during registration may upload the same from their candidate dashboard from NISM's portal. After receiving and verifying PAN details, the candidate will receive the certificate from the Test Administrator they have registered with. No additional payments are necessary for obtaining the certificate.

**9. I have passed NISM Social Auditors Certification Examination and also provided PAN details, however I have not received a certificate. Whom should I contact?**

For non-receipt of certificate contact: [certification@nism.ac.in](mailto:certification@nism.ac.in)

**10. What is the validity period of the certificate?**

The certificate will be valid for 3 years from the date of the examination.

**11. Can I request for re-evaluation of NISM Certification Examinations?**

NISM Policy on Re-evaluation of performance of candidates appearing for Certification Examination and resolution of doubts about the questions forming part of such examination, if any.

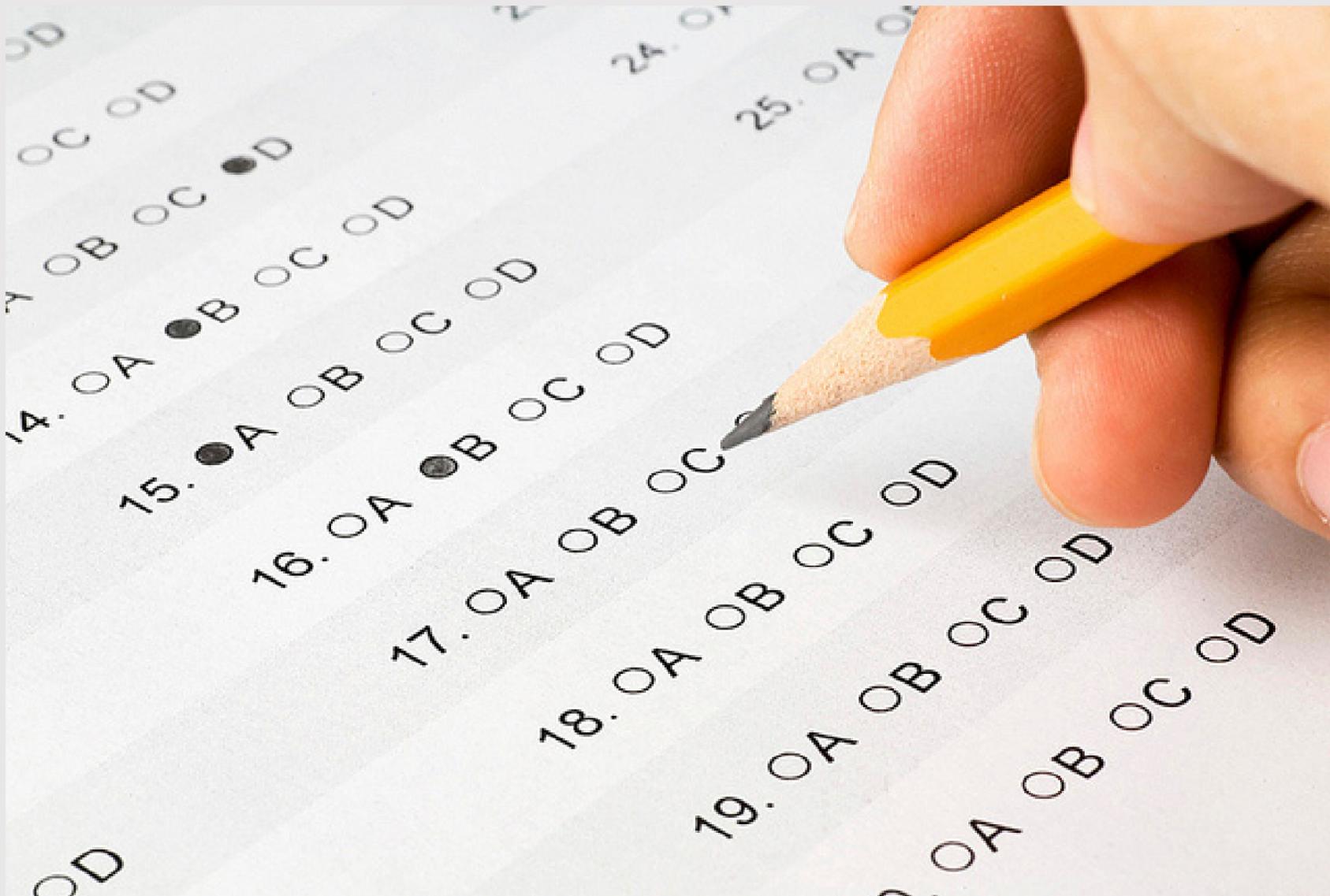
“No re-evaluation of the performance of candidates appearing for Certification Examination conducted by NISM (Mandatory & Non-Mandatory examination) is permitted since the assessment of answers, with respect to Certification Examinations questions which are in the nature of the selection of only one correct answer from multiple choices offered, is carried out in an objective manner by in-built system architecture created for Certification Examination without any scope for human intervention and subjectivity element. Also, considering the examination structure, no disclosure of the questions and/or answers is permitted as it will violate the confidentiality of the question bank, which is the essence of the examination.

In view of the above, no communication regarding re-evaluation, etc. will be entertained/serviced by NISM.” Subject to the above request/s received from a candidate for resolution of doubts about a question forming part of such examination will be considered as per the following policy.

(1) Candidate's request/s will be considered only when he/she specifically mentions particular question or two which he/she thinks contain errors. Claims/ to recheck more than two questions shall normally be not permitted unless substantive material is provided by the candidate as to why he/she considers errors in such questions. In no case, claim/s to recheck all the questions appeared in his/her question paper shall be entertained.

- (2) No request/s to disclose/discuss question/s and/or their answers shall be entertained as disclosure of the question/s will violate the essence of the question bank viz. breach the confidentiality/secretcy of the Question bank.**
- (3) Only those request/s made on-the-spot (before leaving the test center) will be considered for verification.**
- (4) When a valid request is received from a candidate at the Test Centre, it shall be forwarded by the respective TA to NISM. NISM's team will look into claim relating to the contested question/s to verify whether there is a mistake in the question or answer. If it is prima facie found that the question or answer contains a mistake, no score will be computed and consequently no score card will be issued then at the Test Centre.**
- (5) Such matter will then be escalated with the question / answer to the Committee with the details of the nature of error, the correct version of the question or contested correct answer and system recognized correct answer. The Committee, after due diligence and proper scrutiny, will arrive at a conclusion whether the claim made by a candidate in relation to a question or answer is right. Such conclusion will be recorded in writing and put up for formal approval to the authority of NISM.**
- (6) Score computation, kept in abeyance as per point 4, shall be carried based on the approval as per point – 5. Such score card will then be issued to the candidate by TA/NISM.**
- (7) Even though NISM endeavours best efforts and has put in place a robust mechanism to review its question bank intermittently, attributable to continuous changes taking place emanating from dynamics of the market, encompassing products and features, and its regulatory framework, there is a possibility of inadvertently escaping some updation and/or escaping indirect impact on some question/answer. Therefore, to take care of such eventuality, the above process of entertaining request from the candidate in relation to the question/answer is put in place.**
- (8) The above policy and process will be subject to review from time to time and shall be binding and final in relation to any claim and/or matter when disposed off with the approval of the authority of NISM.**

# MULTIPLE CHOICE QUESTIONS



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## MULTIPLE CHOICE QUESTIONS

Question 1 – The Gandhian philosophy of trusteeship captures which of the following idea?

- a) Business responsibility towards shareholder
- b) Business responsibility towards society
- c) Business responsibility towards environment
- d) Business responsibility towards rural development

**Answer- b) Business responsibility towards society**

Question 2 – Which of the following is not acceptable as Sustainability Reporting Standard?

- a) Global Reporting Initiative (GRI) ISO 26000
- b) Principles of Responsible Investing (PRI)
- c) Sustainability Accounting Standards Board (SASB)
- d) Sustainable Development Goals (SDGs)

**Answer- d) Sustainable Development Goals (SDGs)**

Question 3 – Business Responsibility and Sustainability Reporting (BRSR) was introduced by which of the following agency in India.

- a) Reserve Bank of India (RBI)
- b) National Commodity Exchange and Derivatives Exchange (NCDEX)
- c) Securities Exchange Board of India (SEBI)
- d) Ministry of Corporate Affairs (MCA)

**Answer- c) Securities Exchange Board of India (SEBI)**

Question 4 – Why Social Accounting is important for institutions? Choose the right option.

- I) Social accounting measures the environmental and social impact of an organization.
  - II) This approach goes beyond the normal formulation of financial statements to also measure a firm's impact on stakeholders.
  - III) Social accounting can be used to determine the accountability of an organization.
- a) I and II only
  - b) III only
  - c) I and III only
  - d) I, II and III

**Answer- d) I, II and III**

Question 5 – Which of the following comparison among social and financial audit is incorrect?

- a) Social audit deals with multiple perspectives including economic, social and environment; whereas financial audit deals only with financial statements

## MULTIPLE CHOICE QUESTIONS

- b) Any Chartered Accountant is eligible for conducting financial as well as social audit for any firm
- c) Financial audit deals with quantitative indicators, whereas social audit requires assessment and reporting for qualitative as well as quantitative indicators
- d) Financial and social audit processes are very much standardized and only need reporting within preset framework

**Answer- d) Financial and social audit processes are very much standardized and only need reporting within preset framework**

**Question 6 – Confidentiality as an Auditing Principle refers to**

- a) Safety and security of data collected from beneficiary for social audit purpose
- b) Proper handling of sensitive and confidential information about the auditee or its stakeholder
- c) Inappropriate use of information for personal use
- d) None of the above is correct

**Answer- b) Proper handling of sensitive and confidential information about the auditee or its stakeholder**

**Question 7 – Social auditor does not use which of the following technique while remote interaction with auditee?**

- a) Data Analysis
- b) Document Review
- c) Sampling
- d) Conducting Interviews

**Answer- c) Sampling**

**Question 8 – Which of the information and document is not required by social auditors while performing social audit?**

- a) Secondary reports
- b) Secondary data
- c) Media based documentation
- d) Audit report

**Answer- d) Audit report**

**Question 9 - The social auditor should plan and perform a social audit with an attitude of professional \_\_\_\_\_ to obtain sufficient appropriate evidence of the implementation of the social program in the field.**

- a) Skepticism
- b) Competency
- c) Behavior
- d) Reliability

**Answer- a) Skepticism**

## MULTIPLE CHOICE QUESTIONS

Question 10 – Which of the following may not be the part of social audit report?

- a) Scope and objective of audit
- b) Audit plan and tools used
- c) Findings, recommendations and suggestions
- d) Best practices

Answer- d) Best practices

Question 11 – Which of the following is not a feature of social audit?

- a) Evaluating the impact caused on the society by the organization
- b) Issuing an opinion on the state of financial affairs
- c) Being a multi perspective in nature
- d) Adopting the triple bottom line approach

Answer- b) Issuing an opinion on the state of financial affairs

Question 12 – Both quantitative and qualitative indicators are important in case of \_\_\_\_ audit.

- a) Social
- b) Financial
- c) Compliance
- d) Operational

Answer- a) Social

Question 13 – \_\_\_\_\_ is the rational method for reaching reliable and reproducible audit conclusions in a systematic audit process.

- a) Fair presentation
- b) Due professional care
- c) Evidence-based approach
- d) Risk-based approach

Answer- c) Evidence-based approach

Question 14 – Having which of the following \_\_\_\_\_ implies that a Social Auditor attains, maintains and updates professional competence in related technical, professional and business domains.

- a) Integrity
- b) Professional behavior
- c) Professional Competence and Due Care
- d) Confidentiality

Answer- b) Professional behavior

## MULTIPLE CHOICE QUESTIONS

Question 15 – SDG (Sustainable Development Goals) are initiative of:

- a) Global Initiative
- b) National Initiative of India
- c) World Bank Initiative
- d) None of the above

**Answer- a) Global Initiative**

Question 16 – Which of the following is most closely related to social audits?

- a) Social responsibility
- b) Societal changes
- c) Political policy
- d) Social media

**Answer- a) Social responsibility**

Question 17 – What is a social audit?

- a) An activity designed to determine how much money a company is making
- b) A process to test the commitment of employees to the organization
- c) Deciding which social events are appropriate for children to attend
- d) An official evaluation of an organization's involvement in social responsibility projects or endeavors

**Answer- d) An official evaluation of an organization's involvement in social responsibility projects or endeavors**

Question 18 – The total number of Sustainable Development Goals (SDGs) are

- a) 17
- b) 15
- c) 18
- d) 12

**Answer- a) 17**

Question 19 – The social auditor is

- a) primarily responsible for social audit report
- b) Even though he/she may delegate some aspects of the audit work to field level research agency or
- c) Uses work performed by other social auditors and subject matter experts
- d) All of the above

**Answer- d) All of the above**

## MULTIPLE CHOICE QUESTIONS

Question 20 – Sustainability means

- a) Meeting the needs
- b) Meeting the needs of the present
- c) Meeting the needs of the present without compromising the ability of future generations to meet their own needs
- d) All of the above

Answer- c) Meeting the needs of the present without compromising the ability of future generations to meet their own needs



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### GUIDELINES FOR ARTICLES

The articles sent for publication in the journal “The Social Auditor” should conform to the following parameters, which are crucial in selection of the article for publication:

- The article should be original, i.e. Not Published/ broadcasted/hosted elsewhere including any website.
- A declaration in this regard should be submitted to ICMAI-SAO in writing at the time of submission of article.
- The article should be topical and should discuss a matter of current interest to the professionals/readers.
- It should preferably expose the readers to new knowledge area and discuss a new or innovative idea that the professionals/readers should be aware of.
- The length of the article should not exceed 2500-3000 words.
- The article should also have an executive summary of around 100 words.
- The article should contain headings, which should be clear, short, catchy and interesting.
- The authors must provide the list of references, if any at the end of article.
- A brief profile of the author, e-mail ID, postal address and contact numbers and declaration regarding the originality of the article as mentioned above should be enclosed along with the article.
- In case the article is found not suitable for publication, the same shall be communicated to the members, by e-mail.

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## **ICMAI Social Auditors Organisation**

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### **REGISTERED OFFICE**

**The Institute of Cost Accountants of India  
CMA Bhawan 3, Institutional Area, Lodhi Road, New Delhi - 110003**

### **CORPARATE OFFICE**

**The Institute of Cost Accountants of India  
CMA Bhawan, C-42, Sector-62, Noida, Uttar Pradesh - 201309**

### **CONTACT US**

**Email - [ceo@saoicmai.in](mailto:ceo@saoicmai.in) , [sao@saoicmai.in](mailto:sao@saoicmai.in)**

**[www.saoicmai.in](http://www.saoicmai.in)**