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Annual Disclosure & Annual Impact Report for Social Enterprises on the Social Stock Exchange (SSE)

The Social Stock Exchange (SSE) framework in India, introduced by SEBI in 2022, is evolving rapidly to enhance transparency and impact in social finance. The original guidance (Circular 2024) outlined new reporting forms and disclosure standards for Not-for-Profit Organizations (NPOs) listed or registered on SSE, aiming to standardize annual disclosures and impact reporting. Key developments since then, including SEBI circulars and board decisions up to July 2025, have updated this framework. These updates present compliance challenges, operational implications, and strategic opportunities for stakeholders. This analysis follows the structure of the original document section-by-section, critically examining each part in light of the latest SEBI directives. The focus is on what these changes mean for NPOs (as social enterprises on SSE), investors/donors, and auditors/assessors responsible for oversight.

Overview of the 2024 Circular and its Evolution

In 2024, SEBI (via a May 27, 2024, circular) and NSE (via a July 31, 2024, circular) introduced streamlined reporting requirements for SSE-listed social enterprises. The focus was on mandatory disclosures, standard formats, and integrating impact measurement into annual reporting. The Social Stock Exchange Advisory Committee (SSEAC) revised disclosure forms and promoted a Logic Model/ Theory of Change framework for impact reporting. An immediate relief was an extension of FY 2023–24 reporting deadlines to October 31, 2024, and further extended to Jan 31, 2025, acknowledging the learning curve for first-time compliance.

By mid-2025, SEBI recognized the need to further broaden access and refine the regulatory framework. In its Board meeting on June 18, 2025, SEBI approved amendments to make SSE more inclusive and effective for NPOs, while also ensuring active participation. These include changes to eligibility criteria, fundraising obligations, and investor participation rules.

- **Broader Definition of "NPO" for SSE:** SEBI has widened the umbrella of entities that qualify as NPOs under SSE. Now, public charitable trusts registered under the Indian Registration Act, 1908, charitable societies under any state laws, and Section 25 companies (from the old Companies Act 1956, precursor to Section 8) are explicitly recognized. This removes ambiguity – for example, an organization registered as a society under a specific state act, or a legacy Section 25 company, no longer has to seek SEBI's special nod under "any other as specified" category; they are de jure eligible.
- **Revised Disclosure Structure:** Annual filings are now split into "financial" and "non-financial" components with distinct timelines. The original circular's one-size-fits-all timeline was extended as a stopgap, but SEBI's 2025 reform institutionalizes a staggered schedule. NPOs must manage two reporting deadlines, ensuring governance and general information is reported earlier (without waiting for audited financials) while financial statements and impact metrics follow later. This phasing alleviates pressure on NPOs and their auditors but requires careful planning and internal controls to meet each due date.
- **Alignment of Social Objectives with Schedule VII (CSR) and Beyond:** SSE's list of eligible social activities has been aligned to Schedule VII of the Companies Act (2013) – which is the list of causes

Note: SSE refers to the Social Stock Exchange segment, and ZCZP denotes Zero Coupon Zero Principal instruments – the primary instrument through which NPOs raise donations via SSE.

for Corporate Social Responsibility. Aligning with CSR Schedule VII not only broadens but also harmonizes language. Companies and donors now see consistency between what counts as a social cause for CSR and for SSE, possibly encouraging more CSR funds to flow through SSE instruments. Further, the eligibility rules have been relaxed for NPOs by applying the requirement of carrying out a minimum percentage of eligible activities only to for-profit social enterprises, whereas earlier this requirement applied to both NPOs and for-profit social enterprises.

- **Mandatory Fundraising within Two Years:** If an NPO registers on SSE, it must raise funds (through any SSE instrument) within 2 years, or its registration will lapse. The original framework didn't have a time-bound fundraising requirement, allowing NPOs to register and perhaps wait indefinitely for the right opportunity. The new rule is clearly aimed at preventing stagnation of the platform. For NPOs, this is a strategic push: before deciding to register, they should have at least a pipeline of projects or fundraising campaigns in mind that can be executed in the next 24 months.
- **Lowered Minimum Investment (ZCZP Threshold):** SEBI's March 19, 2025, circular brought a headline change: reducing the minimum application size for ZCZP instruments from INR 10,000 to INR 1,000. This came after public consultation and SSEAC's recommendation to boost retail participation. The original SSE guidelines set INR 10,000 as the floor, likely to ensure a certain seriousness of investors; however, this was seen as a barrier for small donors. Now, at INR 1,000, the door is open for a vast pool of retail donors to contribute via SSE. It aligns SSE more with the idea of "social stock" accessible to the common man, not just HNIs.



In summary, the broad 2024 objectives of enhancing transparency and governance remain, but 2025 updates fine-tune the SSE framework to be more inclusive and action oriented.

New Forms for Annual Disclosures and Impact Reporting

The original circular introduced three key forms to structure annual reporting by social enterprises on SSE. These remain the backbone of SSE disclosures, but their implementation and utility have evolved with 2025's changes. Below is a critical look at each form, its requirements, and any updated obligations or opportunities.

Form 1A – Annual Self-Disclosure (General & Governance)

Purpose & Content: Form 1A captures an NPO's non-financial disclosures, focusing on general information and governance practices that are not dependent on audited financial data. It typically includes organizational details, mission, registration info, board composition and governance structure, key policies (e.g. ethics, anti-corruption), operational highlights, stakeholder engagement efforts, and identification of major risks/challenges. The intent is to provide a transparent overview of the NPO's structure and operations, setting context for its social mission. Form 1A also introduced proportional requirements based on the NPO's size – for instance, certain fields were mandatory only for larger NPOs (annual spending > INR 1 crore) while smaller NPOs had a lighter set of required disclosures.

Compliance and Operational Implications: In practice, Form 1A has become the early-year disclosure, due relatively soon after the fiscal year ends. The original guideline mandated Form 1A submission within 60 days of FY end meaning by late May for most NPOs (when the FY ends March 31). The 2025 reforms explicitly institutionalize the split between non-financial and financial reporting, effectively reinforcing that Form 1A (non-financial) should be filed first. This staggered timeline is a mixed blessing for NPOs: on one hand, it gives more time to prepare audited financial statements for Form 1B; on the other hand, it means NPOs must collect and verify a broad range of qualitative data (governance, policies, stakeholder inputs) quickly after year-end.

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Auditor's Note: Although Form 1A doesn't require audited financial data, auditors (especially those in assurance roles for NPOs) should ensure consistency between these disclosures and what they know of the organization. For instance, if Form 1A claims robust anti-corruption measures or internal controls, an auditor or evaluator might later verify if such policies actually exist and are followed. Additionally, auditors should verify that any quantitative statements in Form 1A (like the number of beneficiaries reached, if given as context) are backed by program records.

Form 1B – Annual Comprehensive Disclosure & Social Impact Report

Purpose & Content: Form 1B is an expanded annual report combining

both financial disclosures and a social impact overview. It builds upon the governance info from Form 1A and adds the numbers: key financial statements/ratios (linked to audited accounts) and details of how finances were utilized for social programs. Crucially, Form 1B also requires an Annual Impact Report (AIR) covering the NPO's significant social projects not funded via SSE-listed instruments. For each of SEBI's defined thematic areas (originally 16 categories of social causes), the NPO was expected to prepare a separate section (Form 1B.2) if applicable – a granular requirement to map impact area-wise performance.

Form 1B, unlike 1A, ties directly to audited figures. It requires cross-referencing financial data (including possibly funds received, spent on programs, administrative overhead ratios, etc.) with the NPO's financial statements and even filings to authorities like Income Tax, FCRA, Charity Commissioners, etc., as applicable.

Timeline and 2025 Changes: Originally, NPOs were to submit Form 1B by October 31 each year (for the previous FY) – a date extended to Oct 31, 2024, for FY23-24 as noted earlier. SEBI's June 2025 updates have likely codified this timeline, making late October the standard due date for financial+impact disclosures, while allowing the earlier non-financial part (Form 1A) to be filed separately earlier.

Voluntary Impact Reporting: A noteworthy 2025 enhancement is that NPOs are now permitted to voluntarily submit an Annual Impact Report even



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if they have not yet raised funds via the SSE. Originally, one might have assumed that if an NPO only registered on SSE but never did a ZCZP issuance, they wouldn't need to report impact (aside from basic disclosures). The new guidance flips this – *any* registered NPO can file an impact report on its projects voluntarily, presumably as part of Form 1B. This is a strategic opportunity for NPOs: it allows those who haven't attracted SSE funding yet to showcase their impact and build credibility with potential investors. Essentially, SEBI is encouraging NPOs to "put their best foot forward" to attract funds.

From the donor perspective, Form 1B is where "the rubber meets the road." It links money to mission. Financial transparency – how much funds came in, how they were spent on programs vs overhead – is crucial for donor confidence. Investors will examine ratios (like program expense ratio, administrative cost percentage) and growth of donations year-over-year.

Auditor's Role: For financial auditors, Form 1B's financial part should ideally tie directly to audited financial statements (which the auditor *has* opined on). If Form 1B requires, say, a breakdown of fundraising revenue and expenditures by project, auditors should cross-verify those figures to the books. Any material inconsistencies could be viewed as a misstatement in regulatory disclosure. Notably, SEBI's June 2025 introduction of Social Impact Assessment Organizations (SIAOs) (discussed below) opens the door for professional firms (including those led by CAs, CS, CWAs) to enter the impact assurance space. Audit firms might consider building capacity in social impact evaluation so they can assist or



partner with SIAOs, thereby expanding their service to cover both financial and impact audits of SSE-listed NPOs.

Form 2.1 – Annual Impact Report for SSE-Funded Projects

Purpose & Content: Form 2.1 is a project-specific annual impact report required for each project/program that an NPO funds via a listed SSE security. In simpler terms, whenever an NPO raises money on the SSE – e.g., by issuing a ZCZP instrument for a particular project – that project must have a dedicated impact report every year until the instrument is redeemed or completed.

Form 2.1's structure is detailed and was designed in alignment with robust monitoring and evaluation (M&E) practices. The original framework outlined multiple sections:

- **Section A:** General project information and baseline, including timeline for any third-party evaluation. It references the project's Solution Implementation Plan (SIP) and key performance indicators (KPIs) established at the time of fundraising.
- **Section B:** Annual progress report by the NPO itself, noting achievements and developments in the past year relative to the SIP's targets. This is the NPO's self-assessment of how the project is proceeding.
- **Section C:** External assessment comments – here's where an independent Social Impact Assessor reviews the NPO's Section B and provides an impartial evaluation.

- **Section D:** Confirmation by the Social Enterprise (NPO), likely sign-offs and declarative statements ensuring truthfulness.
- **Section E:** Supplementary info and annexes (supporting documents, data tables, testimonials, etc.).

The content emphasizes Impact Metrics and a Theory of Change (ToC) analysis. NPOs must report quantitative results (e.g., people served, outcomes achieved) and qualitative insights. They are expected to articulate their *logic model* – connecting inputs, activities, outputs, outcomes, and impact ToC elements. There's also emphasis on capturing beneficiary feedback and sustainability/scalability plans for the project, as well as aligning outcomes with Sustainable Development Goals (SDGs) for the broader context.

2025 Updates – SIAO Model: The core structure of Form 2.1 remains, but a major update in 2025 is the formal introduction of Social Impact Assessment Organizations (SIAOs) and refined criteria for these external evaluators. Previously, the term "social impact assessment firm" was used loosely; now SEBI has shifted to a profession-agnostic term "SIAO" to open the field to a variety of entities, not just traditional consulting firms. A SIAO must: (a) be empanelled with certain SROs, and (b) have at least two full-time social impact assessors with a minimum of three years' relevant experience. If the organization itself is newly set up (less than three years' track record), those experienced assessors must personally sign off on the reports.

This formalization is crucial. It means that NPOs now have clearer guidance on who is qualified to assess their impact.

For the SIAOs and their professional bodies, this development is both an opportunity and a responsibility. Bodies like ICAI will maintain a panel of eligible SIAOs, likely ensuring that those on the panel adhere to certain standards or codes of conduct. An assessor who ventures into social impact assessment must upskill in development sector metrics, community surveys, etc., beyond traditional financial audit skills. The requirement of two full-time experts with 3+ years of experience suggests that a multidisciplinary approach is valued.

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One compliance challenge is the data intensity of impact reporting. NPOs need systems to collect outcome data regularly – this could mean baseline and endline surveys, beneficiary tracking systems, or partnerships with research organizations. Unlike financial data, which flows through an accounting system, impact data can be messy and delayed. Moreover, the requirement to highlight unintended negative outcomes is something NPOs must not ignore; being candid about challenges or adverse effects (if any) actually enhances credibility.

Guiding Framework on Logic Model and Theory of Change

The SSE framework strongly advocates incorporating a Logic Model/Theory of Change (ToC) approach in social enterprises' planning and reporting. The NSE's 2024 circular underscored that projects listed on SSE must articulate how their inputs and activities lead to outputs, outcomes, and ultimately impact, including stating assumptions and external factors that could influence success. Annexure II of SEBI's Sept 19, 2022, circular provided guidance questions – for example, asking explicitly "What will be the outcomes of the program? Include positive and potential unintended negative outcomes.". The rationale is that a well-defined ToC enhances accountability: it forces clarity on the causal chain and identification of metrics at each stage. The original text also references the Unified Framework for Social Impact Assessment Standards (UFSIAS), which contains a section on utilizing ToC for M&E frameworks. SSE projects are expected to prepare a project-specific M&E framework grounded in ToC, aligning with UFSIAS best practices.

Relevance in 2025: These ToC/logic model requirements remain highly relevant and have been reinforced by the new rules rather than altered. For instance, the introduction of SIAOs (discussed above) dovetails with this – a SIAO, when assessing an impact report, will look for a coherent logic model. The 2025 SEBI updates did not explicitly change the ToC framework, but they did emphasize outcomes alignment with recognized frameworks like Schedule VII (CSR) and SDGs. This means NPOs should ensure their ToC connects to broader development goals. Doing so not only strengthens the narrative but also helps donors see the common thread between their CSR compliance and SSE investments.

Donor and Impact Assessor Perspective: A transparent logic model helps donors evaluate the viability of an NPO's approach. It answers the "how" and "why" the venture will create impact, not just "what" it will do. Donors experienced in the development sector often demand this level of analysis; SSE making it mandatory ensures even newcomers in social investing get this information. From an SIA/SIAO perspective, the logic model provides a roadmap for verification: if the ToC says X output leads to Y outcome, the assessor will check evidence of X and whether Y is happening. It adds structure to an otherwise nebulous area of "impact auditing." It's also worth noting that by mandating identification of negative outcomes and assumptions, SEBI is pushing for honesty about risks. Impact Assessor should be alert to whether NPOs have actually monitored these unintended effects. While one hopes negative impacts are minimal, acknowledging them and having

mitigation strategies is part of robust reporting.

In conclusion, the logic model/ToC guidance in the original notification is not outdated – on the contrary, it has become more entrenched in SSE's compliance culture. NPOs, investors, and impact assessors all should treat it not as a paperwork formality but as the conceptual foundation of social impact reporting.

Compliance Timelines and Reporting Deadlines

Stock Exchange Compliance and Penalties: While not explicitly stated in the question, it's implied that SSE, being an exchange segment, would have compliance monitoring. If an NPO misses a deadline or files incomplete information, the exchange could issue notices or even suspend trading of its instruments (if any listed) until compliance is rectified. Impact Assessors should remind their NPO clients that these are regulatory deadlines – not just internal targets. Unlike a typical NGO annual report delay, which might have little consequence, an SSE disclosure delay is a compliance breach. Till now haven't seen any specific penalties published, but one can expect at minimum reputational damage and warnings.

For Impact Assessor: This timeline has a direct impact on assignment planning. The fact that NPOs have until Oct 31 for financials might tempt some to push engagement late; however, note that *Form 1A still draws on some financial context* (e.g., determining if spending is >INR 1Cr for certain disclosures). So, by May, NPOs at least need provisional figures to know which "slab" they fall in and any major highlights. Impact Assessors could consider doing an interim check in April-May to give confidence for Form 1A submissions, then finalize the audit by, say, August/September.

Introduction of SSE-EBP (Electronic Book Provider) Platform:

On July 3, 2025, SEBI floated a draft circular proposing a dedicated SSE-EBP platform for NPO fundraising. This essentially means using an electronic bidding platform – similar to what is used for bond issuances – to conduct transparent online fundraising auctions for NPO instruments.

Key features (as proposed):

- NPOs raising INR 50 lakh or more in a single issue (or cumulatively through a shelf prospectus) must use the SSE-EBP. Smaller issues can presumably continue through simpler mechanisms, but large fundraisers need to go through this platform to ensure standardization.
- The platform will host the Draft Fund-Raising Document (DFRD) and term sheets, giving investors real-time access to all necessary info. Bidding windows will be standardized (e.g., 9 am–5 pm on trading days), and both institutional and retail investors can participate. However, foreign investors (FPIs, foreign funds) are not allowed on SSE-EBP, aligning with FCRA restrictions on foreign donations.
- Issuers (NPOs) must do some pre-filing: upload the DFRD and term sheet a couple of days in advance (5 days in advance for first-time users), similar to how companies file offer documents before an IPO opens.
- If an NPO withdraws an issue after opening bids without a valid reason, they face a 7-day ban from the platform as a penalty. Valid reasons for withdrawal include under-subscription (<75%) or investor default in payment. This discourages frivolous or poorly planned offerings.

The EBP proposal makes large NPO fundraises (≥ INR 50 lakh) a formal, transparent, exchange-mediated process, replacing private placements with open market bidding. NPOs must prepare a detailed fundraising document, comply with strict timelines, and develop market-facing skills to attract investors. This approach broadens participation from retail, NIIs, and QIBs, ensures full disclosure, and promotes fair allocation, while foreign contributions remain outside the platform via FCRA routes.

Conclusion

The regulatory framework for Social Stock Exchange reporting, as of 2025, significantly raises the bar for transparency and accountability in the social sector. NPOs are expected to be more proactive and professional. In essence, the SSE regulatory evolution is moving the social sector toward the rigor of capital markets – without losing the mission-driven focus.

Further strengthening regulatory clarity, SEBI issued a Master Circular on 19 January 2026 consolidating all previous circulars, amendments and operational guidelines relating to the Social Stock Exchange under the SEBI (ICDR) Regulations, 2018, and SEBI (LODR) Regulations, 2015. The circular serves as a comprehensive reference framework for stakeholders, including NPOs, social enterprises, stock exchanges and Social Impact Assessment Organizations, while largely streamlining and consolidating the existing regulatory architecture rather than introducing major structural changes.

Resources

- *NSE Circular (July 31, 2024) summary in Annual Disclosure & Impact Report for Social Enterprises.*
- *SEBI Circular (May 27, 2024) extending reporting timelines.*
- *Details of Forms 1A, 1B, 2.1 and mandatory disclosure requirements from original guidance.*
- *SEBI Board Meeting (June 18, 2025) outcomes – expanded NPO eligibility, SIAO introduction, 2-year fundraising rule, disclosure restructuring.*
- *Press release (Mar 19, 2025) – reduction of minimum investment for SSE instruments to INR 1,000 (Notice Number)*
- *SEBI Draft Circular (Jul 3, 2025) – proposal for SSE-EBP platform (mandatory EBP for ≥₹50 lakh issues, bidding process, eligible participants)*
- *Excerpts from SEBI's Sept 2022 circular Annexures – emphasizing Theory of Change integration and outcome reporting.*

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