

## FAQs: CSR Amendment for Social Stock Exchange (SSE)

Following the Ministry of Corporate Affairs (MCA) notifications dated 27 May 2026 enabling Corporate Social Responsibility (CSR) expenditure through subscription to Zero Coupon Zero Principal (ZCZP) Instruments issued by a Not for Profit Organization listed on a Social Stock Exchange (SSE), various stakeholders have sought clarification on the practical aspects of implementation, compliance, reporting and participation under the framework.

To facilitate a common understanding of the regulatory provisions, the following Frequently Asked Questions (FAQs) have been compiled based on the extant provisions of the Companies Act, 2013, Companies (Corporate Social Responsibility Policy) Rules, 2014, and the applicable Social Stock Exchange framework. The responses are intended for general guidance of corporates, Not-for-Profit Organisations (NPOs), intermediaries and other ecosystem participants.

## FAQs: Companies (CSR Policy) Amendment Rules, 2026 pertaining to Zero Coupon Zero Principal Instruments

### Q1: What is this notification about?

**Response:** *This is an amendment to the Companies (Corporate Social Responsibility Policy) Rules, 2014, issued by the Ministry of Corporate Affairs on May 27, 2026. It introduces a new mechanism through which companies may undertake a portion of their CSR expenditure by subscribing to eligible Zero Coupon Zero Principal (ZCZP) Instruments, subject to prescribed conditions and limits.*

Link: [Press Release Page](#) | [Press Information Bureau](#)

### Q2: When does this amendment come into effect?

**Response:** It came into force on the date of its publication in the Official Gazette, i.e., May 27, 2026.

### Q3: Can companies use ZCZP Instruments for CSR spending?

**Response:** *Yes. As per the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2026, companies may subscribe to ZCZP instruments as part of their CSR expenditure, subject to a cap of 10% of their total CSR spend for that financial year. The balance CSR expenditure must be incurred through other permissible modes under the Companies Act and CSR Rules.*

### Q4: Which provisions of Rule 4 apply to ZCZP-based CSR implementation?

**Response:** *All provisions of Rule 4 apply, except Sub-rules (5) and (6).*

### Q5: Why are these sub-rules i.e., Rule 4 (5) and (6) excluded?

**Response:**

*Rule 4(5) requires unspent CSR amounts from ongoing projects to be transferred to a separate bank account (the Unspent CSR Account).*

Rule 4(6) prescribes reporting requirements for such unspent amounts.

These sub-rules are excluded because the ZCZP route has its own distinct mechanism for handling unspent amounts under Rule 4A(3)(b) — any unspent surplus must be transferred to a fund specified in Schedule VII (such as the Prime Minister's National Relief Fund). This dedicated provision supersedes the general unspent-amount framework in Rule 4(5) and (6).

**Q6: Why is this amendment significant for companies?**

**Response:** It opens a market-linked, SEBI-regulated route for CSR spending — allowing companies to support NPOs through a structured financial instrument, with reduced compliance burden (no impact assessment) while ensuring accountability via SEBI oversight of the NPO.

**Q7: Is the 10% limit to be computed based on CSR obligation or actual CSR expenditure?**

**Response:** The 10% limit refers to the amount required to be spent by a company in compliance with Section 135 of the Companies Act, 2013.

**Q8: Can ongoing projects be funded through SSE-listed ZCZPs?**

**Response:** Yes, an ongoing project may be funded through a ZCZP, subject to the following:

- Under the SSE framework, a ZCZP represents a one-time issuance that is designed to cover the entire project lifecycle at the time of listing.
- The ZCZP must be subscribed during the issue open window; there is no provision for ongoing or subsequent subscription after closure of the issue.

Accordingly, an ongoing project can be funded only if it is structured and disclosed upfront as part of the ZCZP issuance, covering the remaining lifecycle of the project. Additional or tranche-based funding through the same ZCZP after closure is not permitted under the SSE mechanism.

**Q9: Can every NPO raise CSR funding through SSE-listed ZCZPs?**

**Response:** Only Not-for-Profit Organisations registered on the SSE segment can issue ZCZPs.

**Q10: Is contributing company's Board approval required before subscribing to a ZCZP under the CSR framework?**

**Response:** Yes. The Board of Directors, based on recommendations of the CSR Committee, is required to approve the subscription to a ZCZP under the CSR framework, subject to the CSR Policy of the Company.

**Q11: Are companies required to amend their CSR Policies before subscribing to ZCZPs?**

**Response:** Companies must ensure that subscription to ZCZPs is permitted within their CSR Policy framework. Where the existing CSR Policy is restrictive or does not provide for

*such deployment, appropriate amendments may be required, in accordance with Section 135 of the Companies Act, 2013 and applicable CSR Rules.*

**Q12: Is impact assessment of any project funded by ZCZPs, required to be undertaken by the subscribing companies?**

**Response:** *No. Companies are exempt from undertaking impact assessment for projects funded through ZCZPs.*

**Q13: Does the contributing company continue to remain responsible for compliance with CSR provisions after subscribing to a ZCZP instrument?**

**Response:** *Yes. Only for the remaining CSR Expenditure other than funded through ZCZPs, in accordance with Section 135 of the Companies Act, 2013 and applicable CSR Rules.*

**Q14: What disclosures relating to ZCZP subscriptions are required in the contributing company's Board Report?**

**Response:** *No additional disclosure is required as per the current regulatory amendment. - However, Pursuant to Section 134(3)(o) of the Companies Act, 2013 the details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year shall be disclosed in the Board's Report.*

**Q15: Is additional due diligence by the contributing company mandatory?**

**Response:** *No. There is no specific requirement under the SSE-ZCZP framework mandating additional due diligence by the contributing company prior to subscription.*

**Q16: Can subscription to a ZCZP instrument be considered as CSR expenditure in the financial year in which the subscription is made?**

**Response:** *Yes. Subscription to a ZCZP instrument will be considered as CSR expenditure in the financial year in which the subscription is made, subject to compliance with applicable provisions of the Companies Act, 2013 and CSR Rules.*

**Q17: Can the financial transaction of successfully subscribed ZCZP instrument be considered for CSR expenditure compliances of contributing companies?**

**Response:** *ZCZP subscription can be treated as CSR expenditure if all CSR conditions are met. There is no separate recognition mechanism prescribed.*

**Q18: Is a Demat account required for subscription to a ZCZP for CSR contribution?**

**Response:** *Yes*

**Q19: Can a single ZCZP issue receive CSR contributions from multiple corporate subscribers?**

**Response:** *Yes. A single ZCZP issuance can receive contributions from multiple corporate subscribers. There is no restriction on number of contributors.*

**Q20: Can a company deploy its CSR contribution across multiple ZCZP issuances?**

**Response:** Yes. A company may deploy its CSR contribution across multiple ZCZP issuances, subject to compliance with applicable CSR provisions. However the aggregate investment in ZCZPs shall not exceed the prescribed limit (i.e., up to 10% of the amount required to be spent by a company in compliance with Section 135 of the Companies Act, 2013.) and each such subscription must be approved and aligned with the company's CSR framework, including its Annual CSR Action Plan.

**Q21: Can the entire 10% CSR allocation be deployed in a single ZCZP project?**

**Response:** Yes

**Q22: Can an NPO undertake multiple ZCZP issuances funded through CSR contributions?**

**Response:** Yes. An NPO may undertake multiple ZCZP issuances, including those funded through CSR contributions, provided each issuance pertains to a distinct project and complies with the SSE framework requirements under SEBI ICDR Regulations.

**Q23: Can a company subscribe to a ZCZP instrument issued by an NPO, which the company has funded in the past?**

**Response:** Yes. A company can subscribe to ZCZPs of an NPO it has supported earlier. No restriction is specified on past relationships.

**Q24: Can a company revoke or withdraw its contribution after subscription and allotment?**

**Response:** No. Subscription to ZCZPs is irrevocable upon allotment. There is no provision for revocation or withdrawal of contribution post allotment under the SSE framework.

**Q25: What is the maximum permissible duration of a CSR-funded project undertaken through a ZCZP?**

**Response:** The maximum permissible duration of a CSR funded project undertaken through a ZCZP is: up to three (3) financial years from the date of issuance of the ZCZP

**Q26: Can contributing corporates comment on milestones or project-specific conditions for the projects proposed to be listed on SSE?**

**Response:** The framework does not allow corporates to impose project-specific conditions formally. The final project structure, milestones, and conditions are governed by the NPO's disclosure document, and the SSE regulatory framework. However, all stakeholders can provide feedback to the ZCZP issue document/Draft Fund Raising Document during the public consultation period as prescribed in the SSE framework requirements under SEBI ICDR Regulations.

**Q27: Can a ZCZP issuance receive subscriptions simultaneously from CSR contributors, institutional contributors and retail contributors?**

**Response:** Yes. ZCZPs can receive funding from CSR contributors as well as other investor categories. No restriction is placed on investor mix.

**Q28: In case of oversubscription through CSR corpus, how will the oversubscribed amount be managed? Can the NPO retain the oversubscribed amount?**

**Response:** *An NPO cannot retain oversubscribed amounts in a ZCZP issuance. Any oversubscription must be handled in accordance with the SSE issuance framework, typically involving refund to applicants or allocation as per disclosed terms.*

**Q29: What is the treatment of unspent funds upon termination of the ZCZP listing?**

**Response:** *The treatment of unspent funds on upon termination of ZCZP listing is specified in Rule 4A(3)(b). On termination of listing of such zero coupon zero principal instrument, transfer the unspent amount to any fund included in Schedule VII to the Act and submit its compliance report to the Securities Exchange Board of India.*

**Q30: How is impact monitored and reported for SSE-funded projects?**

**Response:** *Impact for SSE funded projects is monitored and reported through the disclosure and reporting framework prescribed for listed social enterprises (NPOs) on the SSE under SEBI ICDR Regulations.*

**Q31: How is project impact communicated to subscribing corporates?**

**Response:** *The NPO issuing the ZCZP provides periodic disclosures on project progress, utilisation of funds, and impact achieved; Such disclosures are made available on the Stock Exchange (SSE platform) and are accessible to all stakeholders, including contributing corporates.*

**Q32: Are NPOs required to continue impact reporting for projects funded through ZCZPs?**

**Response:** *Yes.*

**Q33: Is submission of a utilisation certificate required by the NPO?**

**Response:** *The NPO is required to provide periodic disclosures on utilisation of funds, project progress, and impact achieved, in accordance with the SSE disclosure and reporting framework;*

**Q34: Who owns project data and impact-related information generated under a project listed through ZCZP instruments, with CSR contribution?**

**Response:** *The ownership and management of project data and impact-related information remain with the NPO (issuer) of the ZCZP.*

**Q35: How will compliance with the 10% CSR limit be monitored?**

**Response:** *As per the extant Regulatory Framework.*

**Q36: Can CSR funds be deployed through SSE after the close of the relevant financial year?**

**Response:** *Deployment of CSR funds through SSE shall be based on the fund deployment schedule disclosed in the Final Fund-Raising Document for the ZCZP issuance. Accordingly, CSR funds may be deployed in alignment with the timelines and*

utilisation schedule specified in the issue document; and the recognition and treatment of such expenditure shall be subject to applicable provisions of the Companies Act, 2013 and CSR Rules.

**Q37: Can subscriptions through SSE be treated as multi-year CSR commitments?**

**Response:** No, as the project issuance opens for a limited period to be subscribed and contributing companies need to subscribe ZCZP instrument as per the current year's CSR budget/ commitment only.

**Q38: Will separate disclosure formats be prescribed for CSR-funded SSE projects?**

**Response:** No separate disclosure formats have been prescribed currently for CSR funded SSE projects. However, disclosures are required to be made in accordance with the existing SSE disclosure and reporting framework.

## **Support FAQs related to Social Stock Exchange Platform**

**Q1: What is the Social Stock Exchange (SSE)?**

**Response:** As per 292A (i) of "Chapter X-A Social Stock Exchange of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2022

"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.

**Q2: What is a Zero Coupon Zero Principal (ZCZP) Instrument?**

**Response:** A Zero Coupon Zero Principal (ZCZP) instrument is a fundraising instrument issued by a Not-for-Profit Organisation (NPO) that is registered with the Social Stock Exchange (SSE) of a recognised Stock Exchange, in accordance with SEBI regulations.

It does not pay any interest (zero coupon) and does not return the original amount contributed (zero principal). Instead, it provides a regulated and transparent way for companies and other contributors to provide funding for eligible social impact projects through the Social Stock Exchange, rather than through a traditional investment.

In simple terms, it is a regulated mechanism that allows funds to be channelled to social impact projects through the Social Stock Exchange, without any expectation of financial return.

**Q3: Is a ZCZP Instrument a security?**

**Response:** Yes. The Ministry of Finance, vide Notification S.O. 3210(E) dated July 15, 2022, formally declared ZCZP instruments as securities under the Securities Contracts (Regulation) Act, 1956. This brings them within the regulatory framework of Indian capital markets.

**Link:** [SEBI | Declaration of zero coupon zero principal instruments as securities under the Securities Contracts \(Regulation\) Act, 1956](#)

#### **Q4: Who can issue a ZCZP Instrument?**

**Response:** Only a Not-for-Profit Organisation (NPO) that is Registered with the Social Stock Exchange (SSE) segment of a recognised Stock Exchange; and Compliant with SEBI regulations governing such issuances.

#### **Q5: How is a ZCZP Instrument different from a regular bond or debenture?**

**Response:** Unlike conventional bonds or debentures:

- It pays no interest or coupon to the subscriber.
- It returns no principal at maturity.
- The subscriber's money goes entirely toward social/development projects run by the NPO.
- It is closer in spirit to a donation but structured as a market-listed security with regulatory oversight.

#### **Q6: What is the Subscriber's return on a ZCZP Instrument?**

**Response:** There is no financial return — no interest, no principal repayment. The "return" is entirely social impact generated by the NPO's projects. It is suited for entities looking to deploy funds for social good through a regulated channel.

#### **Q7: What regulations govern ZCZP Instruments?**

**Response:** ZCZP instruments are governed by a combination of laws, rules and regulations issued by different regulators, including the following:

Securities Contracts (Regulation) Act, 1956 (SCRA) – Pursuant to the Ministry of Finance Notification dated 15 July 2022, ZCZP instruments are recognised as “securities” under the SCRA.

Link: [SEBI | Declaration of zero coupon zero principal instruments as securities under the Securities Contracts \(Regulation\) Act, 1956](#)

SEBI Master Circular for Framework on Social Stock Exchange (SSE) – Master Circular No. HO/49/14/14(6)2025-CFD-PoD1/I/2771/2026 dated 19 January 2026 consolidates the operational framework applicable to the Social Stock Exchange, including registration of social enterprises, fund-raising procedures, disclosures, governance requirements, reporting obligations and other compliance requirements relating to ZCZP instruments.

SEBI link: [SEBI – Master Circular for Framework on Social Stock Exchange \(19 January 2026\)](#)

SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (SEBI ICDR Regulations) – These regulations, including Regulation 292A and related provisions, prescribe the eligibility criteria, issuance framework and disclosure requirements for Not-for-Profit Organisations (NPOs) seeking to raise funds through ZCZP instruments.

SEBI Link: [SEBI | Securities and Exchange Board of India \(Issue of Capital and Disclosure Requirements\) Regulations, 2018 \[Last amended on March 21, 2026\]](#)

*Companies (Corporate Social Responsibility Policy) Rules, 2014 (as amended in 2026) – Rule 4A governs the use of ZCZP instruments for CSR purposes, including the permissible limits, conditions and exemptions available to subscribing companies.*

*In simple terms, the Ministry of Finance recognises ZCZP instruments as securities, SEBI regulates their issuance and operation through the Social Stock Exchange framework, and the MCA regulates how companies may use them for CSR expenditure.*

**Q8: What is the significance of ZCZP Instruments for India's social sector?**

**Response:** *ZCZP instruments bridge the gap between capital markets and the social sector by:*

*Giving NPOs access to a broader pool of funds through stock exchange listing.*

*Providing corporates a regulated, transparent CSR channel.*

*Bringing SEBI-level accountability and disclosure to social fundraising — improving trust and governance in the NPO and Social Stock Exchange ecosystem.*

**Q9: What is a "Not for Profit Organization" (NPO) under these rules?**

**Response:** *The term carries the same meaning as defined in Clause (e) of Regulation 292A of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.*

*(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 Trust registered under the Registration Act, 1908 (16 of 1908) with the relevant Sub-Registrar in those States that have not enacted the law governing public trust;*

*(iv) a charitable society registered under the Societies Registration Act, 1860 (21 of 1860);*

*(v) a charitable society registered under the Societies Registration Act of the relevant State;*

*(vi) a company registered under section 8 of the Companies Act, 2013 (18 of 2013) including a company registered under section 25 of the repealed Companies Act, 1956;*

*(vii) any other entity as may be specified by the Board;*

**Q10: What are the Eligibility conditions for being identified as a Social Enterprise.**

**Response:** *A Social Enterprise must primarily pursue social objectives, serve underserved populations and satisfy the eligibility criteria prescribed by SEBI under the Social Stock Exchange framework.*

*The Eligibility conditions for being identified as a Social Enterprise are prescribed under Regulation 292E. The regulation reads as under:*

*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 indulge 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) the activity provided under Schedule VII of the Companies Act, 2013;*

*(xviii)] 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 the Central or State Governments, or such other target segments as may be specified by the Board from time to time;*

*(c) the For-Profit 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.

#### **Q11: What obligations does an NPO have when it issues a ZCZP instrument?**

**Response:** The issuing Social Enterprise must:

- Undertake a project with a duration not exceeding three succeeding financial years from the date of issue of the instrument.
- On termination of listing of the instrument, transfer any unspent amount to a fund listed in Schedule VII of the Companies Act, 2013.
- Submit a compliance report to SEBI upon such termination.

### **Illustrative Case Study-based FAQs**

**Q1: TC Ltd. is a listed company with an annual CSR obligation of ₹2 crore for FY 2026-27. The CSR Committee is exploring whether to subscribe to a ZCZP instrument issued by AB Foundation, an NPO registered on the Social Stock Exchange. Can TC Ltd. use ZCZP instruments as part of its CSR spend?**

**Response:** Yes. Rule 4A (1) explicitly permits a company to carry out CSR activities through a ZCZP instrument. TC Ltd. CSR Committee may recommend the subscription, and the Board may approve it in accordance with the company's CSR governance framework to AB Foundation's ZCZP instrument listed on the SSE, and the amount subscribed will count as valid CSR expenditure.

**Q2: How much can TC Ltd. spend on ZCZP instruments?**

**Response:** TC Ltd.'s total CSR obligation is ₹2 crore. The 10% cap under the proviso to Rule 4A (1) means it can subscribe to ZCZP instruments worth a maximum of ₹20 lakhs in FY 2026-27.

Total CSR Obligation	Maximum ZCZP Spend (10%)
₹2,00,00,000	₹20,00,000

The remaining ₹1.80 crore must be deployed through other permissible CSR modes.

**Q3: TC Ltd. wants to allocate ₹25 lakhs to ZCZP instruments. Is this allowed?**

**Response:** No. ₹25 lakhs exceed the 10% cap of ₹20 lakhs on TC Ltd.'s ₹2 crore CSR budget. TC Ltd. would need to **restrict its ZCZP subscription to ₹20 lakhs**. Exceeding

this limit would mean the excess ₹5 lakhs cannot be counted as valid CSR expenditure under Rule 4A.

**Q4: TC Ltd. has a CSR obligation of ₹50 lakhs this year — a much smaller company. How does the cap work for them?**

**Response:** The 10% cap applies uniformly regardless of company size:

Total CSR Obligation	Maximum ZCZP Spend (10%)
₹50,00,000	₹5,00,000

So, a smaller company with ₹50 lakh CSR obligation can subscribe to ZCZP instruments worth up to ₹5 lakhs only.

**Q5: Can TC Ltd. subscribe to ZCZP instruments issued by multiple NPOs within the 10% cap?**

**Response:** Yes. The 10% cap applies to the total ZCZP expenditure in aggregate, not per NPO. TC Ltd. could, for instance, split its ₹20 lakh allocation across two NPOs — say ₹12 lakhs to AB Foundation and ₹8 lakhs to another SSE-registered NPO — as long as the combined total does not exceed ₹20 lakhs.

**Q6: AB Foundation is not registered on the SSE. Can TC Ltd. still subscribe to its instrument and claim CSR credit?**

**Response:** No. For a ZCZP instrument to qualify under Rule 4A, the issuing NPO must be registered with the Social Stock Exchange segment of a recognised Stock Exchange. If AB Foundation is not SSE-registered, the instrument does not qualify as a ZCZP instrument under the rules, and the expenditure cannot be counted as CSR spend under this route.

**Q7: TC Ltd. subscribed to ₹20 lakhs of ZCZP instruments in Quarter1. Can it subscribe to more in Quarter3 of the same financial year?**

**Response:** No. The ₹20 lakh ceiling is for the **entire financial year**, not per quarter. Once TC Ltd. has exhausted its 10% ZCZP cap in Q1, it cannot make further ZCZP subscriptions in Q3 or any other quarter of the same FY and claim them as CSR expenditure under Rule 4A.

**Q8: Does TC Ltd. need to conduct impact assessment for the project funded by AB Foundation through the ZCZP instrument?**

**Response:** No. Rule 4A (2) explicitly exempts the subscribing company from impact assessment for projects funded through ZCZP instruments. This reduces TC Ltd. 's compliance burden significantly compared to direct CSR project implementation.

**Q9: What should TC Ltd. report in its Annual CSR Report regarding the ZCZP subscription?**

**Response:** *The Annual Report on CSR activities is a statutory disclosure required under Rule 8 of the Companies (CSR Policy) Rules, 2014, filed as an annexure to the Board's Report. The existing CSR reporting framework does not specifically address ZCZP subscriptions. Until further guidance is issued, companies may consider making appropriate disclosures accommodating ZCZP subscriptions, TC Ltd. should, as a matter of good governance, disclose the following in its Annual CSR Report:*

- *The amount subscribed to ZCZP instruments during the financial year (e.g., ₹20 lakhs);*
- *The name of the issuing NPO(s) and their SSE registration details;*
- *The social activity area or project being funded, with reference to the relevant Schedule VII head;*
- *Confirmation that the ZCZP subscription is within the 10% cap under the proviso to Rule 4A (1); and*
- *A statement that impact assessment is not applicable for this component by virtue of the exemption under Rule 4A (2).*

**Q10: What happens if TC Ltd.'s CSR obligation increases next year to ₹3 crore — does the ZCZP cap automatically reset?**

**Response:** *Yes. The 10% cap is calculated fresh each financial year based on that year's total CSR obligation. If TC Ltd. 's obligation rises to ₹3 crore in FY 2027-28, its ZCZP cap for that year would automatically become ₹30 lakhs.*

**Q11: AB Foundation has successfully issued a ZCZP instrument and received ₹50 lakhs from subscribing companies. What can it do with these funds?**

**Response:** *AB Foundation must utilise the proceeds exclusively for the specific social impact project(s) or purpose(s) disclosed in its offer document and in accordance with the applicable Social Stock Exchange (SSE) regulations. The funds cannot be diverted to unrelated activities or purposes that were not disclosed at the time of issuance.*

**Q12: Is AB Foundation required to complete the project within a specified timeline?**

**Response:** *Yes. AB Foundation is required to implement and utilise the proceeds of the ZCZP issuance within three years from the date of issuance of the instrument, unless otherwise permitted under the applicable SSE framework.*

**Q13: AB Foundation has been unable to fully utilise the proceeds within three years due to unforeseen circumstances. What should it do?**

**Response:** *AB Foundation must comply with the requirements prescribed under the applicable SSE regulations, including making appropriate disclosures and taking any*

corrective actions required by the Stock Exchange. The NPO cannot indefinitely retain unutilised funds without complying with the prescribed framework. Also refer Q15.

**Q14: Can AB Foundation use a portion of the ZCZP proceeds for administrative and operational expenses?**

**Response:** Only to the extent permitted under the approved project budget and the applicable SSE regulations. Any administrative expenditure must be directly related to the implementation of the disclosed project and should be appropriately disclosed.

**Q15: What reporting obligations does AB Foundation have after issuing a ZCZP instrument?**

**Response:** AB Foundation is required to make periodic disclosures as prescribed under the Social Stock Exchange framework, including updates on:

- Utilisation of funds raised;
- Progress of the social impact project;
- Achievement of intended outcomes;
- Any material changes affecting project implementation; and
- Other disclosures mandated by the recognised Stock Exchange and SEBI.

**Q16: If AB Foundation is delisted from the Social Stock Exchange after issuance, what happens to the ZCZP instrument?**

**Response:** It is important to distinguish between two separate events:

- **Termination of listing of the ZCZP instrument** — this refers to the end of the listing lifecycle of the specific ZCZP instrument issued by AB Foundation and is the trigger for obligations under Rule 4A(3)(b). On such termination, AB Foundation must transfer any unspent amount to a fund specified in Schedule VII of the Companies Act, 2013, and submit a compliance report to SEBI.
- **Delisting of AB Foundation from the SSE** is a separate event relating to the NPO's own registration status on the Social Stock Exchange, and does not by itself trigger the Schedule VII transfer obligation under Rule 4A(3)(b).

Accordingly, if AB Foundation is delisted from the SSE while a ZCZP instrument issued by it remains listed, the instrument's own listing termination — and not the NPO's delisting — is the operative event for purposes of Rule 4A(3)(b). AB Foundation must continue to fulfil its obligations in respect of the ZCZP instrument and comply with any post-delisting requirements prescribed under the applicable SSE regulations.

**Q17: Can AB Foundation issue multiple ZCZP instruments simultaneously for different projects?**

**Response:** Yes. AB Foundation may issue multiple ZCZP instruments for different eligible projects, provided each issuance independently complies with the applicable SSE requirements, disclosures, and eligibility conditions.

**Q18: Is AB Foundation required to refund the amount received from subscribing companies upon completion of the project?**

**Response:** No. A Zero Coupon Zero Principal (ZCZP) instrument does not create an obligation to repay either principal or any return to subscribers. The subscription amount is intended solely for funding eligible social impact projects.

**Q19: TC Ltd. subscribed ₹20 lakhs to AB Foundation's ZCZP instrument. Is AB Foundation required to provide an impact assessment report to TC Ltd.?**

**Response:** No. Since Rule 4A (2) exempts the subscribing company from conducting an impact assessment, AB Foundation is not required to provide a CSR impact assessment report solely for purposes of Rule 4A CSR compliance. However, AB Foundation must continue to make all disclosures and reporting required under the SSE framework.

**Q20: What records should AB Foundation maintain for a ZCZP issuance?**

**Response:** AB Foundation should maintain comprehensive records, including:

- The offer document and issue-related disclosures;
- Details of funds raised and subscribing entities;
- Project-wise utilisation statements;
- Supporting invoices and expenditure records;
- Periodic progress and outcome reports;
- SSE filings and disclosures; and
- Any correspondence relating to project implementation.

Maintaining robust documentation will facilitate regulatory compliance, transparency, and future audits or inspections.

**Q21: Can TC Ltd. treat its subscription to a ZCZP instrument as an “ongoing project” for CSR purposes?**

**Response:** Not necessarily. A subscription to a ZCZP instrument is, in substance, a one-time CSR expenditure made by the company in a particular financial year. While the underlying social project undertaken by the NPO may extend over a period of up to three years, the company’s act of subscribing to the ZCZP instrument is completed at the time of investment.

Accordingly, unless specifically clarified by the Ministry of Corporate Affairs (MCA), companies should not automatically classify a ZCZP subscription itself as an “ongoing project” under Rule 2(1)(i) of the CSR Rules.

**Q22: If the underlying project implemented by AB Foundation spans three years, can TC Ltd. report it as an ongoing project in its Annual CSR Report?**

**Response:** The current notification does not expressly provide for such treatment. The three-year implementation period prescribed under Rule 4A(3)(a) applies to the NPO issuing the ZCZP instrument and should not be conflated with the company's ongoing project mechanism.

Until further regulatory clarification is issued, companies may disclose the subscription separately as expenditure through a ZCZP instrument rather than reporting it as an ongoing project.

**Q23: Does TC Ltd. require prior approval from its CSR Committee and Board before subscribing to a ZCZP instrument?**

**Response:** Yes. Although Rule 4A permits CSR implementation through a ZCZP instrument, companies must continue to comply with the existing governance framework under Section 135 of the Companies Act, 2013 and the CSR Rules.

Accordingly:

- The CSR Committee should evaluate and recommend the proposed subscription;
- The Board should approve the CSR activities as part of the CSR Policy or Annual Action Plan; and
- Appropriate records and resolutions should be maintained before making the subscription.

Rule 4A supplements, and does not replace, the existing governance requirements.

**Q24: Should the subscription to a ZCZP instrument be included in the company's Annual Action Plan?**

**Response:** Yes. Since the subscription constitutes a mode of carrying out CSR activities, companies should appropriately include it in their Annual Action Plan, specifying:

- The name of the issuing NPO;
- The amount proposed to be subscribed;
- The project or thematic area being funded; and
- The implementation timeline, wherever available.

This will ensure transparency and facilitate Board oversight.

**Q25: If AB Foundation breaches its obligations under the SSE framework, is TC Ltd. responsible for the non-compliance?**

**Response:** *The primary responsibility for complying with SSE regulations rests with the issuing NPO (Social Enterprise). However, subscribing companies should undertake adequate due diligence before investing, as any significant non-compliance by the NPO (Social Enterprise) could create reputational risks and may attract additional scrutiny from stakeholders, auditors, or regulators. Companies should maintain documentation evidencing the due diligence performed prior to the subscription.*

**Q26: Should TC Ltd. undertake due diligence before subscribing to a ZCZP instrument?**

**Response:** *Yes. Although Rule 4A does not prescribe a specific due diligence framework, companies should adopt appropriate safeguards before making a subscription, including verifying:*

- *Registration of the NPO on the Social Stock Exchange;*
- *Validity of the ZCZP issuance;*
- *Details of the proposed social impact project;*
- *Timelines for utilisation of funds;*
- *Governance and disclosure track record of the NPO; and*
- *Compliance with the 10% CSR expenditure cap.*

*Undertaking such due diligence will strengthen governance and reduce compliance and reputational risks.*