

# Impact Exchange Board Listing Guide

A Board of the Stock Exchange of Mauritius







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# 1. INTRODUCTION

This guide is designed for impact entities that seek to list and issue financial securities on Impact Exchange, the world's first social stock exchange. *Impact entities* are mission driven companies, organizations or funds that apply market-based strategies to achieve a positive social and/or environmental impact.

This guide is developed to:

- ▶ Explain what Impact Exchange is, how it works and how it serves the goals of impact entities
- ▶ Identify which organizations can issue securities on Impact Exchange
- ▶ Specify the benefits of listing on Impact Exchange
- ▶ Outline the eligibility requirements for listing on Impact Exchange
- ▶ Identify which securities can be issued on the Impact Exchange
- ▶ Provide guidance on the process of listing on Impact Exchange
- ▶ Explain the role of Authorized Impact Representatives
- ▶ Indicate ongoing post-listing requirements

# 2. WHAT IS IMPACT EXCHANGE

Impact Exchange is the world's first dedicated board of an established, regulated stock exchange devoted solely to securities issued by impact entities. It provides a unique opportunity for impact entities to raise funds which will allow them to scale and deepen their social and/or environmental impact. Impact Exchange allows both the general public and professional impact investors the opportunity to invest in and trade securities issued by impact entities which reflect these investors' own values.

Impact Exchange provides all the same advantages as any other global public trading platform – transparency, efficiency and liquidity – while also ensuring that the social and/or environmental mission and impact of the issuers are both safeguarded and showcased. With the rise of sustainable and scalable impact entities creating positive impact all over the world, Impact Exchange is the public gateway for those who wish to invest in sustainable change for the betterment of society and the environment.

Impact Exchange is a joint initiative between the Stock Exchange of Mauritius Ltd (SEM) and Impact Investment Exchange Asia (IIX). Located in Mauritius, Impact Exchange is operated by the SEM and is regulated by the Financial Service Commission, Mauritius. In addition to the usual listing requirements, Impact Exchange requires that all issuers demonstrate positive social and/or environmental impact, and IIX provides oversight of these impact requirements.

## WHO WE ARE



**The Stock Exchange of Mauritius Ltd (SEM)** operates the Mauritius stock market for equities and equity-related products, funds, and debt instruments, providing listing, trading, depository & settlement services and market data for domestic and global customers.

Mauritius is a leading financial hub for investment in Asia and Africa. Over the years, the SEM has been at the forefront of innovation in the exchange space in Africa, emerging as a reference exchange on the African continent. The SEM is today one of the leading frontier Exchanges and a member of the World Federation of Exchanges (WFE). Established in 1989, the SEM operates 3 boards, the Official Market, the Development and Enterprise Market and Impact Exchange.

The SEM is actively pursuing its internationalization strategy, positioning the SEM as an attractive listing, trading and capital-raising platform offering international and multi-currency products.

The SEM is working to ensure that the capital markets actively provide the infrastructure and systems necessary to create an organized, fair and regulated market that will bring impact entities and Impact Investors together from across the globe. The SEM is fully supportive of the vision of “Maurice, Ile Durable” (“Mauritius, sustainable island”), and seeks to realize this vision by providing a global marketplace to support sustainable investment for social and environmental impact throughout Africa, Asia Pacific and beyond.



**IIX\*** is revolutionizing the way the world looks at sustainable economic development through the creation of social capital markets. It is creating the platforms and the products and developing the ecosystem to connect socially and environmentally mission-driven enterprises with impact investors. IIX operates Impact Partners and Impact Incubator, Asia’s first two private placement platforms dedicated to investments in social enterprises.

IIX conducts prescreening of the impact eligibility of potential Impact Exchange issuers and makes recommendations based on this assessment to SEM. IIX also monitors the ongoing social and environmental impact listing obligations of issuers listed on the Impact Exchange.

\* IIX refers to the IIX group of companies – including **Impact Investment Exchange Asia and Africa IIX Ltd.**





### 3. WHO SHOULD LIST ON IMPACT EXCHANGE

Impact Exchange is exclusively for impact entities – mission-driven companies, organizations and funds that apply market-based strategies to achieve a measureable positive social and/or environmental impact. Impact entities list financial securities on Impact Exchange – similar to those traded on any other regulated stock exchange.

**Potential issuers include impact entities such as:**

**Social Enterprises**  
**Social Investment Funds**  
**Microfinance Institutions**  
**Development Finance Institutions**  
**Social Arms of “Inclusive Businesses”**  
**Non-Governmental Organizations (NGOs)**

**Impact entities can list the following types of securities on Impact Exchange\*:**

- ▶ Common Equity
- ▶ Preference Shares
- ▶ Bonds
- ▶ Fund Shares or Units

\*For-profit impact entities can list common equity, preference shares or bonds. Not-for-profit impact entities can list bonds. Social Investment Funds can list fund shares or units.

## 4. WHY LIST ON IMPACT EXCHANGE

Listing on Impact Exchange brings the benefits and opportunities of a public listing on a regulated stock exchange to issuers, coupled with social and/or environmental mission protection.

**MARKETING THE MISSION** – Listing on Impact Exchange is an excellent way of publicly demonstrating an impact entity's commitment to its social and/or environmental mission. All listed entities must satisfy rigorous impact criteria prior to listing, and must commit to ongoing impact reporting and assessment in order to remain listed.

**MISSION PROTECTION** – Because monitoring of each issuer's impact is built into the Listing Rules (IX Rules), issuers are ensured that access to capital can be achieved without losing purpose, mission and integrity. At the same time, investors are assured that their co-investors are like minded in their support of the issuer's mission.

**INCREASED POTENTIAL INSTITUTIONAL INVESTOR BASE** – Many Institutional investors and fund managers are restricted in the securities in which they are permitted to invest. Institutional investors are typically restricted from investing in securities which are not listed on a regulated stock exchange. Fund managers are often restricted from investing in securities which do not have a publicly quoted price. By listing on Impact Exchange, an impact entity creates an investment opportunity for many institutional investors which would otherwise not exist.

**GLOBAL NETWORK OF IMPACT INVESTORS** – Impact Exchange has a global network of investors seeking impact investment opportunities. Over 35% of SEM's daily turnover is accounted for by international investors. SEM aims to increase the share of foreign investors' dealings to 50% over the next three years. Access to these investors can improve the profile and demand for an issuer's securities and provide a globally-based valuation.

**INCREASED EXPOSURE AND TRANSPARENCY** – Raising capital on Impact Exchange will increase the issuer's exposure to retail and institutional impact investors, the media and the general public. The transparency provided by the dual reporting of financial results and social and/or environmental impact will publicly raise the issuer's profile and will draw more potential investors. This will lead to a more diversified group of investors, which may increase the demand for the issuer's securities and increase their value. It may also increase the availability of capital supply should an issuer need additional capital in the future.

**LIQUIDITY FOR SHAREHOLDERS** – Becoming a listed entity establishes a market for the issuer's securities, providing investors with a well-organized, transparent and regulated market in which to trade these securities. Liquidity offers early investors in impact entities the opportunity to exit their investments.

**CREDIBILITY** – Credibility in listed companies is reinforced by the existence of the stock exchange's regulatory framework. Having a number of institutional investors can bring with it increased business credibility, stability and wider business networks for an issuer as well.



Listing on the SEM will bring these additional benefits:

### **A MULTI CURRENCY LISTING, TRADING AND SETTLEMENT PLATFORM**

– The SEM is the only exchange in Africa, and one of the few exchanges worldwide, that can list the securities of an issuer in **US Dollars, Euros, Pound Sterling, South African Rands and Mauritian Rupees**, as well as trade and settle transactions in those five currencies. The ability to list, trade and settle in international currencies provides international investors with a natural hedge against currency risks and eliminates currency conversion costs, reinforcing the attractiveness of the SEM to international issuers and investors.

### **A HIGHLY ATTRACTIVE TAX REGIME**

– Mauritius has a highly attractive tax regime. Foreign investors investing on the SEM can benefit from no withholding tax on dividends; no capital gains tax; free repatriation of profits, capital and interest; and Double Taxation Avoidance Treaties and Investment Promotion and Protection Agreements with multiple countries.



### **REAL-TIME INFORMATION EFFICIENCY**

– The SEM's website provides daily information about prices and listed issuers. Additionally, the SEM is connected live to a top bracket of global vendors including Thompson Reuters, Interactive Data, Financial Times, Factset, Bloomberg and Inet Bridge, enabling both retail and institutional investors worldwide to follow its markets on a real-time basis. The coverage of SEM's data by global data vendors is a powerful marketing tool to put the Exchange on the radar screen of a wider spectrum of institutional investors, thus attracting more foreign investor interest on the market.

### **UNPARALLELED SERVICE SUPPORT & COMPETITIVE LISTING FEES**

– IIX and the SEM are committed to supporting Impact Exchange issuers every step of the way – before, during and after their admission to listing. The Exchange has a dedicated team in place to assist companies with any queries and to guide them throughout the admission process. The SEM also has a simple, highly cost-effective and very competitive listing fee structure, which provides affordable entry and continued listing. (An addendum to this booklet outlines the listing fees charged by Impact Exchange).





## 5.THE RULES FOR THE IMPACT EXCHANGE BOARD

The Impact Exchange Listing Rules (IX Rules):

- ▶ Govern the initial listing of the issuer, such as who can list, what securities may be listed, how these securities may be offered and the listing process itself
- ▶ Set out the ongoing requirements that must be satisfied for an issuer to remain listed such as ongoing reporting, disclosure and certain aspects of the issuer's conduct
- ▶ Set out the minimum standards of behavior that are aimed at ensuring the market is fair, orderly and transparent

Compliance with the Impact Exchange Rules is a requirement for admission to Impact Exchange and for remaining listed on Impact Exchange. In complying with the disclosure requirements of these rules issuers must also ensure compliance with the requirements of the Securities Act 2005 and/or any regulations or FSC rules made under the Act.



## ENSURING INTEGRITY OF THE MARKET

The SEM is committed to maintaining a high level of market integrity. A market of high integrity inspires confidence among investors, brokers, issuers, regulators and the broader community. The SEM promotes market integrity in a number of ways including the Impact Exchange Rules (IX Rules), the CDS Clearing Rules and Settlement Rules and the Trading Rules & ATS Schedule of Procedures, which are in place to ensure fair, orderly and transparent markets. The SEM's supervision of its markets maintains an appropriate balance between supporting market integrity and minimizing listed companies' costs of compliance with the SEM's Operating Rules. Getting the right balance here also keeps costs of capital low.

## 6. ELIGIBILITY FOR LISTING

The key entry requirements that an Impact Entity must comply with are as follows:

### IMPACT REQUIREMENTS

Primacy of social / environmental mission and intent	Clear purpose and theory of change	Impact performance measurement and monitoring systems	Impact Reporting	Independent Impact Certification
Specific and clearly stated positive social or environmental impact as the primary reason for its existence	Purpose and intent must be clearly articulated in a theory of change - forming the basis for performance assessment to demonstrate output, outcomes and social performance	Commitment to ongoing monitoring and evaluation of impact performance using clearly defined impact indicators for performance assessment and reporting	Minimum of one year of impact reports prepared in accordance with Impact Exchange reporting principles	Certification by independent social or environmental standards or rating body awarded within 12 months prior to listing

**For funds** at least 80% of portfolio of investments must be impact investments

### FINANCIAL REQUIREMENTS

Sustainable business model and market orientation	Published financial statements	Minimum market capitalization	Minimum of 100 shareholders (for equity)	Minimum of 25 debt holders
Demonstrate a market based approach to achieve its purpose and therefore be able to provide returns on financial capital to meet the financial return expectations of its investors	Published financial statements meeting internationally accepted standards for at least one year prior to listing	Minimum market capitalization of USD700,000 (or foreign currency equivalent)	Minimum of 100 shareholders and 10% in public hands for a class of equity securities	Minimum of 25 debt holders for a class of debt

**Funds** must demonstrate that directors and investment manager have sufficient experience in the management of similar investments. Must have stated capital of USD700,000 within one year of initial marketing of securities to the public

The SEM may waive the requirement regarding the minimum number of 100 shareholders and the percentage in public hands of 10% in appropriate circumstances

Exemptions may be granted at the discretion of the SEM



## 7. HOW TO LIST ON IMPACT EXCHANGE

### GETTING READY FOR LISTING

Issuers often begin their preparations for listing on a securities exchange well before they launch the listing application process. Typically, pre-listing preparations may take two to six months. Advance preparation is a key success factor that allows for a smooth and efficient execution process and the ability to take advantage of market windows. The questions below will help issuers to determine whether they are ready for listing.

#### Strategy and Operations

- ☐ What are the issuer's long term goals and strategies?
- ☐ Is the market for the product or service of sufficient size that the issuer will attract broad investor interest?
- ☐ Are the operational, financial and management information systems sufficiently robust to enable the issuer to comply with ongoing obligations under the Impact Exchange Rules (IX Rules)?
- ☐ Is the timing right for a listing, in terms of both the business and the market conditions?

#### Financials

- ☐ Is the issuer profitable or does it have the ability to provide financial returns on invested capital to meet the financial return expectations of investors?
- ☐ Is there a well-developed plan that identifies potential revenue, income and necessary resources to sustain success?

#### Management

- ☐ Is the management team experienced and balanced with sufficient directors and senior executives with a proven track record of successful management?
- ☐ Are the key management positions filled and are strategies in place to retain key employees and key customers?
- ☐ Is the issuer's culture ready for listing?
- ☐ Are directors and senior managers prepared for the increased disclosure, accountability and transparency required by the Impact Exchange Rules (IX Rules)?

#### Social and Environmental Impact

- ☐ Has the issuer demonstrated positive social and/or environmental impact to date?
- ☐ Does the issuer have systems in place for monitoring impact which comply with the Impact Exchange Listing Rules (IX Rules) standards?

Undertaking a listing is a turning point in the life of an entity. It should therefore be approached as a **business transformation process** rather than simply a one-off capital raising transaction. A listing is also an opportunity for an entity to simplify its structures, formalize business practices and make improvements in its processes that will prepare it to face the challenges of operating in the public spotlight.

**Structural changes** might be necessary as a listing may sometimes warrant changes to the issuer's Board of Directors, its corporate structure, and its articles of association.

**Cultural changes** might also be required as a listing may have a significant impact on the culture of an organization. A culture change program is therefore advisable to enable employees and key management personnel to be properly trained in order to adjust to the behavioral norms of a listed entity.

It is important that the issuer be well prepared for the run-up period prior to listing. Detailed preparatory work undertaken by management, prior to appointing advisors, may save a significant amount of time and money. This listing preparation may include: reviewing the board composition, determining the ideal legal structure for the issuance and identifying the businesses within the group that will be included or not included.

## METHODS OF LISTING ON IMPACT EXCHANGE

Impact Exchange offers listings similar to those available on any other regulated stock exchange. Issuers, together with their advisors, must decide which type of listing is most appropriate for their needs. There are four principal ways by which new applicants can bring securities to listing on Impact Exchange, namely:

- ▶ **AN INTRODUCTION** - An introduction is a method of bringing securities to listing not involving an issue of new securities and without raising any capital. In general, an issuer can list by way of an introduction if at least 25 per cent of its shares are already in public hands and there is a fair spread of shareholders. An introduction involves no underwriting fees and little requirement for advertising.
- ▶ **AN OFFER FOR SALE** - An offer for sale is an invitation to the public by or on behalf of the holders or allottees of securities to purchase securities of the issuer already in issue or agreed to be subscribed.
- ▶ **AN OFFER FOR SUBSCRIPTION** - An offer for subscription is an invitation to the public by or on behalf of an issuer to subscribe for securities of the issuer not yet in issue or allotted. The applicant must state the minimum level of subscription, below which the issue would be cancelled and the subscription money would be refunded.
- ▶ **A PLACING** - A placing usually involves offering the issuer's shares to a selected base of investors. This allows the issuer to raise capital with lower costs and greater freedom and it gives the issuer more discretion to choose its investors.

While the above are the most common types of listing, the following may also be possible: a rights issue, consideration issue or capitalization issue. It might also be possible for securities to ultimately be traded on the US, London or other foreign stock exchange via a secondary listing (e.g., American Depositary Receipts or European Depositary Receipts) or a dual listing.

## THE LISTING PROCESS

### *What's involved?*

The timetable for listing - from making the decision to list to the actual listing - is influenced by a number of variables, such as the type of listing sought (an offer for subscription, a placing or an introduction), the type of securities to be listed, the vibrancy of market conditions, the readiness of investors to invest in the issuer's securities, the complexity and size of the transaction, how quickly the listing documentation can be prepared and how quickly funds are received from investors.



For equity, the listing process ranges from three months to a year, with six months being typical. For bonds, the listing process is shorter, taking an average of three months.

The key steps in the listing process are outlined below (depending on your circumstances, the need for and order of, these steps may vary).

### *The Listing Process*

<b>1</b>	<b>Determine Listing Readiness</b>	<ul style="list-style-type: none"> <li>▶ Determine type of listing, security structure, features and terms</li> <li>▶ Meet with IIX and SEM to review listing requirements and process</li> <li>▶ Conduct readiness assessment for listing</li> <li>▶ Receive approval from Executive Team / Board to proceed with listing</li> </ul>
<b>2</b>	<b>Listing Preparation</b>	<ul style="list-style-type: none"> <li>▶ Appoint and consult with advisors (including AIR)</li> <li>▶ Undertake due diligence (legal, financial and impact)</li> <li>▶ Prepare Listing Document and other application documents</li> </ul>
<b>3</b>	<b>Application for Listing</b>	<ul style="list-style-type: none"> <li>▶ [For offer to the public, lodge prospectus with the FSC]</li> <li>▶ Submit application documents including Listing Document to the SEM</li> <li>▶ Receive conditional approval from Listing Executive Committee (LEC)</li> <li>▶ [Registration of the final Listing Document with the FSC]</li> </ul>
<b>4</b>	<b>Capital Raise (if required)</b>	<ul style="list-style-type: none"> <li>▶ Conduct Investor marketing</li> <li>▶ Raise capital</li> </ul>
<b>5</b>	<b>Admission to Listing</b>	<ul style="list-style-type: none"> <li>▶ Receive Final approval from LEC for admission to Impact Exchange - subject to successful capital raise and other conditions</li> <li>▶ Appoint registry / transfer agent and make arrangements with CDS for the deposit of securities</li> <li>▶ Start of trading</li> </ul>
<b>6</b>	<b>Post-listing</b>	<ul style="list-style-type: none"> <li>▶ Continuous disclosure of financials and impact</li> <li>▶ Periodic disclosure of financials and impact</li> </ul>

## 8. AUTHORIZED IMPACT REPRESENTATIVES

Issuers must satisfy impact reporting requirements in order to list, and remain listed, on Impact Exchange. Each issuer must appoint an **Authorized Impact Representative (AIR)** to support it through the listing process and ensure compliance with its listing requirements (a *Nominated Impact Advisor*) as well as to verify impact reports at the end of each financial year (an *Impact Verification Agent*).

All AIRs, including both Nominated Impact Advisors (*NIA*) and Impact Verification Agents (*IVA*) are social advisors who must be accredited and registered with the SEM.

The assistance of the AIR is intended to ease the listing process for impact entities and to bolster investor confidence – through independent verification of the social and environmental impact of the issuer.

### DURING THE LISTING PROCESS

The appointed **NIA** will assist the issuer to prepare for listing on Impact Exchange, to meet the market transparency requirements and to fulfill its other listing obligations. The NIA will:

- ▶ Confirm to the SEM the impact purpose and performance of the issuer as well as provide a professional and transparent review of the issuer
- ▶ Work with the issuer to build a comprehensive understanding of the admission requirements, listing requirements and ongoing obligations under the Impact Exchange Rules (IX Rules)
- ▶ Assist the issuer with the process of obtaining and compiling required certifications, impact assessments and impact performance documentation
- ▶ Provide the issuer with appropriate information, or access to information, about financial, legal and regulatory requirements
- ▶ Advise the directors of the issuer on the Impact Exchange Rules (IX Rules) and the nature of their responsibilities and obligations as directors of an Impact Exchange issuer
- ▶ Manage the submission of all relevant documents to the SEM and serve as a liaison between the issuer and the SEM in the listing process

An **IVA** may be viewed as an external, independent social impact auditor with a specific expertise in the assessment of the social and environmental impact and returns on investment generated by impact entities. An issuer's appointed IVA will assist it in satisfying its market transparency requirements and ongoing impact reporting obligations.



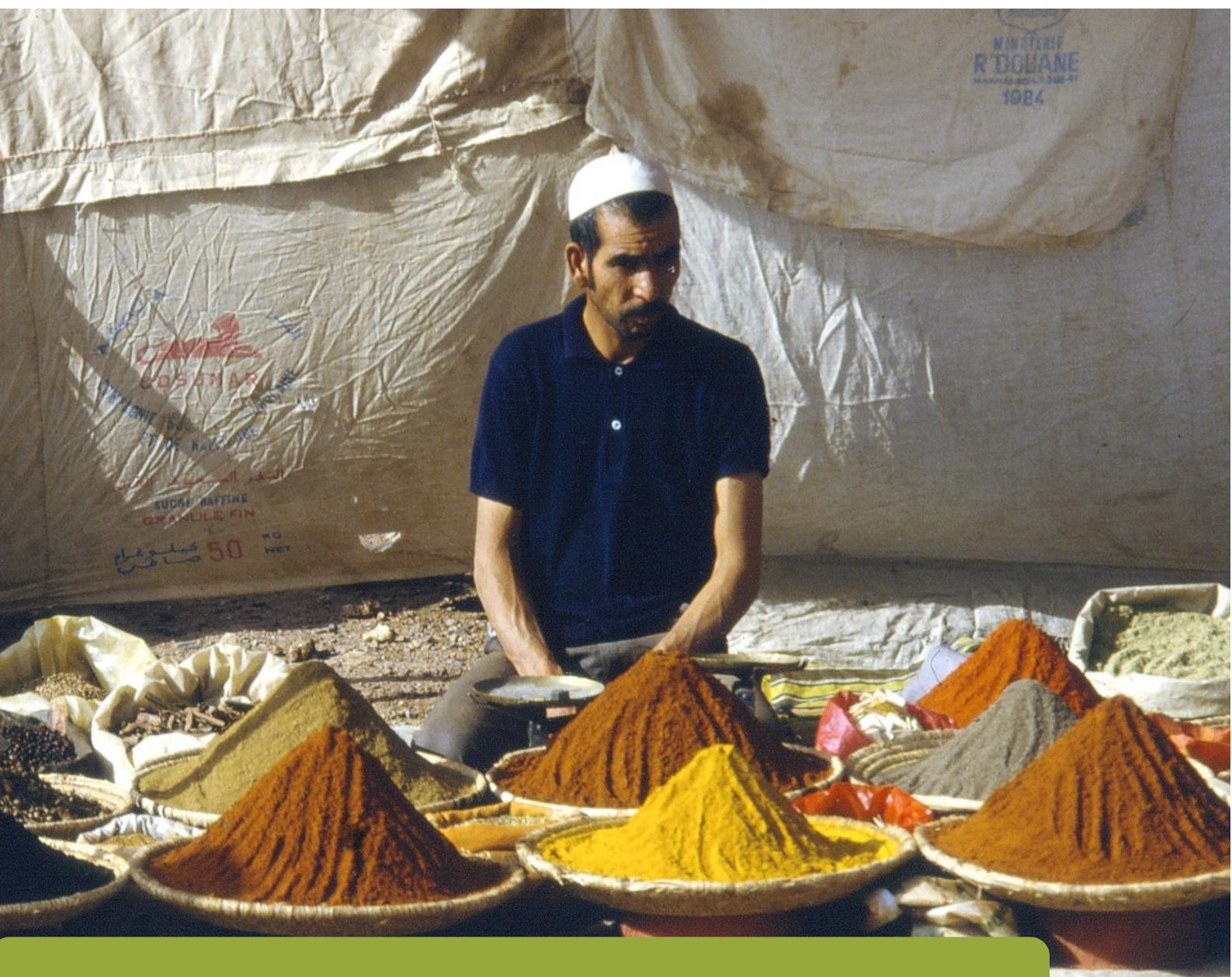
The IVA will:

- ▶ Perform a rigorous analysis and review of the issuer's recorded impact information
- ▶ Provide a signed independent analysis of the issuer's recorded impact information by evaluating the impact of the issuer against the projected social and/ or environmental objectives and indicators.

## AFTER LISTING

An IVA is required to provide an independent verification of the annual Impact Performance Reports which the issuer must submit and publish as part of the listing requirements.

Please contact us at [impactexchange@asiaiix.com](mailto:impactexchange@asiaiix.com) for a list of the AIRs registered with the SEM.



## 9. OPERATING AS A LISTED ENTITY

While operating as a listed entity may open up avenues for new growth opportunities, it also brings with it increased obligations.

In order to fully tap into the potential that a listing presents, you will need to communicate with the market and to promote yourself to the investment community on an ongoing basis.

The Impact Exchange Rules (IX Rules) set out the requirements that must be met by listed entities in order to maintain their listed status. These continuing obligations are aimed at ensuring that the market operates in a fair, orderly and transparent manner. The continuous and periodic disclosure requirements are outlined below:

### CONTINUOUS DISCLOSURE

Entities listed on Impact Exchange have a general obligation to disclose material information on a continuous basis:

Listed entities should immediately release to the market any information, which a reasonable person would expect to have a material effect on the price or value of its listed securities

### PERIODIC DISCLOSURE

Entities listed on Impact Exchange are required to submit certain reports at regular intervals:

Annual confirmation of ongoing status as an impact entity (Impact Certification)

Interim (quarterly) Financial Reports

Half Yearly Impact Reports

Annual Financial Reports (audited pursuant to International Auditing Standards)

Annual Impact Performance Report (verified by IVA)



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