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IMPACT ASSESSMENT OF CSR PROJECTS IN INDIA: LEGAL FRAMEWORK AND PRACTICAL CHALLENGE

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I. ABSTRACT

India's mandatory corporate social responsibility (CSR) regime under the Companies Act 2013 represents a distinctive legislative model that converts qualifying corporate social expenditure into a statutory obligation. This article examines the impact-assessment framework governing that regime and its evolution through the 2021, 2025 and 2026 regulatory developments, asking whether the legal architecture advances substantive accountability or primarily secures procedural compliance. The research problem concerns the gap between mandatory expenditure and demonstrable social outcomes, particularly in light of fragmented methodologies, uneven evaluator capacity, limited standardisation, and weak mechanisms for measuring long-term change. Employing a doctrinal-cum-analytical and socio-legal approach, the article analyses the Companies Act, delegated legislation, Ministry of Corporate Affairs guidance, comparative sustainability frameworks, and implementation literature. It finds that the post-2021 regime cannot accurately be characterised as a mere "comply or explain" model: where prescribed CSR expenditure remains unspent, the company must disclose reasons and comply with statutory transfer requirements, while defaults in such transfers attract monetary penalties under section 135(7). However, the law does not impose comparable consequences merely because a completed project produces weak or ineffective social outcomes. The study further identifies methodological discretion, assessment-cost constraints, the requirement that qualifying projects be completed at least one year before assessment, and the absence of uniform evaluator-accreditation standards as continuing barriers to reliable and comparable impact measurement. Rule 4A, introduced in 2026, permits limited CSR expenditure through zero coupon zero principal instruments on the Social Stock Exchange and exempts the subscribing company from Rule 8(3) impact assessment for projects funded through that route, while the SEBI Social Stock Exchange framework separately subjects listed projects to impact and utilisation disclosures. Comparing India's expenditure-centred model with disclosure-oriented sustainability regimes, the article

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recommends standardised sectoral methodologies, assessor accreditation, stronger board-level responsibility, longitudinal evaluation, and closer integration with sustainable-development indicators.

II. KEYWORDS

Corporate Social Responsibility; Impact Assessment; Section 135; Legal Compliance; Sustainable Development.

III. INTRODUCTION AND RESEARCH PROBLEM

Corporate social responsibility in India has evolved from voluntary philanthropy rooted in traditions of trusteeship into a core element of contemporary corporate governance and regulatory policy. In this socio-economic context, corporate social responsibility denotes a legally framed expectation that companies integrate social and environmental concerns into their business strategies, reflecting a wider shift towards stakeholder-oriented corporate law.

India is widely recognised as the first jurisdiction to make social spending a statutory obligation, transforming moral commitment into a mandatory corporate duty. This legislative move marks a departure from the predominantly voluntary regimes found in many other jurisdictions, signalling the state's willingness to use company law as a direct instrument of distributive and developmental policy.

The statutory architecture is detailed through primary legislation and subordinate rules, embedding social responsibility into the corporate governance framework by mandating board-level oversight, annual reporting, and specialised mechanisms such as impact assessments. Aggregate expenditure has increased substantially since the law came into force, and compliance levels among eligible companies remain high. Yet, empirical data suggests that enhanced spending has not necessarily translated into commensurate improvements in social outcomes.

Geographic concentration of funds in a small number of relatively developed states and sectoral clustering around education and health leave other priority areas underfunded. This pattern exposes a structural tension: while the law successfully compels

expenditure, it does not guarantee that such expenditure produces equitable, sustainable, or measurable social change.

The existing compliance framework historically focused on quantifiable inputs—amounts spent, projects initiated, and beneficiaries reached—rather than on robust qualitative and quantitative evaluation of longer-term impact. Companies have satisfied statutory requirements by disclosing expenditure and furnishing descriptive narratives of activities without demonstrating how those activities altered underlying social conditions.

This input-centric orientation encouraged short-term, easily reportable projects over deeper, participatory interventions. In recognition of this gap between spending and outcomes, recent amendments expressly incorporate impact assessment as a distinct regulatory tool. Conceptually, this assessment functions as the bridge between spending and social outcomes, seeking to measure the change attributable to interventions and to generate learning that can reshape corporate strategies.

However, the emerging legal framework raises doctrinal, institutional, and practical questions. The delegation of impact assessment to independent agencies raises concerns about expertise, independence, standardisation, and the potential commodification of impact reports. These structural weaknesses can dilute the normative promise of impact assessment, reducing it to a procedural requirement.

The central research problem addressed in this article is whether the Indian legal framework adequately ensures that mandatory corporate social expenditure is translated into demonstrable, equitable, and sustainable social impact. The article therefore examines the extent to which the existing regulatory design bridges the gap between formal compliance with statutory spending requirements and the substantive achievement of measurable developmental outcomes.

A. Research Objectives

1. To offer a doctrinal analysis of the statutory and regulatory provisions governing corporate social responsibility and impact assessment in India,

situating them within broader debates on corporate law, welfare state obligations, and sustainable development.

2. To examine the practical challenges that companies, implementing agencies, and affected communities face in conducting and utilising impact assessments, drawing on reported practice, regulatory guidance, and emerging scholarship.
3. To critically evaluate whether the present framework aligns with constitutional and socio-legal commitments to distributive justice and participatory governance, proposing normative, institutional, and methodological reforms to strengthen impact assessment.

B. Research Questions

1. To what extent do the statutory rules and subsequent amendments provide a legally coherent and enforceable standard for evaluating the outcomes of mandatory corporate social spending?
2. What are the primary methodological, institutional, and participatory barriers that prevent current impact assessments from capturing long-term, demonstrable social change?
3. How does India's expenditure-centric CSR model compare with the European Union's double-materiality-based sustainability reporting regime and the United Kingdom's ISSB-based, financially focused disclosure framework in promoting credible and verifiable accountability?

C. Research Hypotheses

1. The current legal architecture institutionalises a fragmented form of accountability in which qualifying conventional CSR projects are subject to Rule 8(3) impact assessment, while Rule 4A exempts ZCZP-funded projects from that company-level mechanism and relies instead upon the Social Stock Exchange disclosure and impact-reporting framework. Across both routes, the absence of uniform outcome benchmarks and enforceable

consequences for ineffective interventions limits substantive outcome accountability.

2. The entity-specific jurisdictional structure and monetary thresholds under Section 135 materially influence the breadth of CSR coverage, particularly in relation to corporate groups with substantial Indian economic activity but limited qualifying corporate presence. Competing legislative proposals in 2025 and 2026 further demonstrate that the appropriate scope of mandatory CSR remains unsettled, with one proposal seeking broader coverage through lower thresholds and the other proposing a higher net-profit trigger and additional compliance exemptions.

D. Research Methodology

This article adopts a doctrinal-cum-analytical research methodology, relying on a close reading of legal texts and their practical operation in the Indian context. Doctrinal research is used to map the evolution and structure of the framework under the primary legislation and related regulations. The analytical component interrogates how these norms function in practice, particularly in relation to the design, implementation, and evaluation of projects. The methodology combines a systematic exposition of the legal position with a critical analysis of its internal coherence, policy rationale, and effectiveness.

Primary legal materials form the core evidentiary base for this study, including statutes, delegated legislation, and parliamentary records. The paper draws on primary legislative acts, subsequent amendments, relevant notifications and circulars issued by the Ministry of Corporate Affairs, and allied regulatory instruments such as listing regulations. Parliamentary debates, committee reports, and official explanatory materials are used to reconstruct the legislative intent behind these obligations, situating the current framework within its broader policy trajectory.

Secondary sources are employed to deepen and triangulate this inquiry. These include peer-reviewed journal articles, practitioner-oriented commentaries, and empirical or

evaluative studies produced by consulting organisations that routinely benchmark assessment approaches. Policy documents and guidance notes issued by Indian industry bodies and civil-society organisations are analysed to capture how corporate actors interpret the statutory framework in real project settings.

A comparative lens is integrated through selective engagement with international evaluation frameworks, sustainability reporting standards, and global benchmarks for measuring social value. By contrasting the Indian legal regime with these international approaches, the paper identifies convergences, normative gaps, and context-specific challenges.

E. Literature Review

The conceptual foundation of corporate social responsibility is heavily informed by theoretical models that trace the multi-dimensional nature of corporate obligations. Carroll's Pyramid is one of the most widely cited conceptual models, structured around economic, legal, ethical, and philanthropic obligations arranged hierarchically². Economic responsibility reflects the basic expectation that firms remain profitable; legal responsibility requires obedience to laws; ethical responsibility demands adherence to social norms beyond mere compliance; and philanthropic responsibility encompasses voluntary contributions to community welfare. In the Indian context, this pyramid illustrates why mandated social spending cannot be analysed in isolation from wider corporate responsibilities.

The statutory regime sits at the intersection of legal and philanthropic duties, but its effective implementation depends on ethical commitment. Impact assessment evaluates whether philanthropic and legal obligations translate into genuine improvements in stakeholder welfare, echoing Carroll's call for responsible business conduct across all dimensions.

² A B Carroll, 'The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders' (1991) 34(4) *Business Horizons* 39.

Elkington's Triple Bottom Line framework proposes that corporate performance should be assessed not only on financial profits but also on social and environmental dimensions, often summarised as "people, planet, and profit"³. The social bottom line focuses on a company's impact on employees, communities, and broader society; the environmental bottom line addresses ecological consequences; and the economic bottom line extends to broader economic value creation. Indian policy and impact assessment practice implicitly adopt this logic.

Statutory schedules encourage activities in areas such as education, health, and environmental sustainability, while impact assessments increasingly ask whether corporate portfolios deliver balanced gains across people-centric and planet-centric indicators. Although Elkington cautioned against reducing the framework to an accounting tool, its normative thrust underpins contemporary evaluation frameworks used by Indian companies.

Freeman's stakeholder theory argues that businesses exist to create value for a wide range of stakeholders—customers, suppliers, employees, communities, and financiers—rather than solely for shareholders.⁴ Management must actively consider and balance these interests. Impact assessment aligns closely with stakeholder theory because it requires companies to identify their key stakeholder groups and evaluate how projects alter the distribution of costs and benefits among them. Instead of treating these initiatives as peripheral philanthropy, stakeholder-oriented firms integrate social projects into their core value-creation strategy, using impact evidence to strengthen trust and adjust programmes when feedback reveals unintended negative effects.

Furthermore, the United Nations Sustainable Development Goals provide a globally recognised framework covering poverty, health, education, gender equality, and climate action⁵. Indian policy documents increasingly map spending patterns against these indicators, arguing that mandatory capital allocation can contribute to closing financing

³ J Elkington, 'Towards the Sustainable Corporation: Win-Win-Win Business Strategies for Sustainable Development' (1994) 36(2) *California Management Review* 90.

⁴ R E Freeman, *Strategic Management: A Stakeholder Approach* (Pitman 1984).

⁵ *Transforming Our World: The 2030 Agenda for Sustainable Development*, UNGA Res 70/1 (25 September 2015).

gaps if appropriately targeted. Studies suggest positive outcomes in areas such as public health and education, though impact assessments reveal uneven geographical coverage and limited sustainability beyond the project period. Conceptually, impact assessments can use these global goals as a normative benchmark, linking outputs directly to relevant targets and facilitating cross-sector comparability.

IV. RESEARCH & ANALYSIS

A. Statutory Framework and Applicability

The central statutory gateway through which corporate social obligations are imposed rests upon Section 135 of the Companies Act 2013⁶. The legislation applies to every company incorporated under the Act, including qualifying foreign companies, that satisfies any one of three alternative financial thresholds in the immediately preceding financial year: a net worth of at least ₹500 crore, a turnover of at least ₹1,000 crore, or a net profit of at least ₹5 crore. Entities meeting these criteria must compute a spending obligation equal to at least 2 per cent of the average net profits made during the three immediately preceding financial years⁷. This formula smooths cyclical fluctuations in profitability and aligns outlays with long-term earning capacity.

Upon meeting applicability, a company is required to constitute a Corporate Social Responsibility Committee of the Board. For listed and most unlisted public companies, the committee must comprise at least three directors, including at least one independent director, thereby embedding deliberations within a board sub-committee possessing external perspectives. Private companies may constitute a committee with two or more directors and are not obliged to appoint independent directors. Foreign companies must also constitute a committee comprising at least two persons to ensure local accountability. A subsequent relaxation exempted companies from forming a committee when the required spending amount does not exceed ₹50 lakh, allowing the Board itself to discharge these functions.

⁶ Companies Act 2013, s 135.

⁷ M Goswami, 'A Study on Implications of CSR Rules under Companies Act, 2013' (2015) XVI Annual Conference Proceedings, Delhi School of Professional Studies and Research 301.

The regulatory architecture demands impact assessments through Rule 8(3) of the Companies (Corporate Social Responsibility Policy) Rules 2014, introduced by the 2021 amendments⁸. This rule creates dual materiality thresholds for assessment: an average overall obligation of at least ₹10 crore over the three preceding financial years, and an individual project outlay of ₹1 crore or more. These assessments must be undertaken for projects completed at least one year prior, reflecting a legislative judgment that meaningful evaluation requires temporal distance from implementation. The expenditure for impact assessment is capped at 2 per cent of the total spend or ₹50 lakh, whichever is higher, and can be booked as part of the overall corporate social obligation. However, this assessment threshold hinges purely on the quantum of spending, leaving a substantial universe of smaller entities and initiatives outside its scope.

B. The 2021 Impact-Assessment Reform, 2025 CSR-1 Registration Amendments and the 2026 Social Stock Exchange Route

The 2021 amendments introduced mandatory impact assessment as a distinct component of the CSR framework through Rule 8(3) of the Companies (Corporate Social Responsibility Policy) Rules 2014. For companies and projects crossing the prescribed expenditure thresholds, the assessment must be undertaken by an independent agency. The role of such an assessor is evaluative: it examines the effects of an eligible completed CSR project. Rule 8(3), however, does not prescribe an accreditation regime or equate an independent impact assessor with an entity engaged to implement the CSR project.

The Companies (Corporate Social Responsibility Policy) Amendment Rules 2025, notified by G.S.R. 452(E) on 7 July 2025 and effective from 14 July 2025, addressed a different regulatory function. They substituted e-Form CSR-1, through which entities undertaking CSR activities register with the Ministry of Corporate Affairs. The amendment therefore operates principally as a registration, disclosure and due-diligence mechanism for implementing agencies; it did not amend Rule 8(3) or impose

⁸ Companies (Corporate Social Responsibility Policy) Amendment Rules 2021, r 8(3).

new eligibility conditions upon independent impact assessors. The revised CSR-1 requires more detailed information concerning the entity, its registration or exemption status, authorised representatives and governance particulars, together with digital authentication and certification by a practising Chartered Accountant, Company Secretary or Cost Accountant. Eligibility to act as an implementing agency continues to be governed by Rule 4.

The Rules recognise: a section 8 company, registered public trust or registered society established by the company, subject to the prescribed tax-registration conditions; such entities established by the Central or a State Government; an entity established under an Act of Parliament or a State Legislature; and other section 8 companies, registered public trusts or registered societies satisfying the prescribed tax conditions and possessing an established track record of at least three years in undertaking similar activities. The three-year track-record requirement thus concerns the latter category of implementing entities and not independent impact assessors. Accordingly, the framework cannot accurately be described as restricting CSR implementation exclusively to non-governmental organisations.

A further transitional issue arises after the commencement of the Income-tax Act 2025 on 1 April 2026. Although Rule 4 and the revised CSR-1 were framed using references to sections 12A, 80G and, in the form, section 10(23C) of the Income-tax Act 1961, the 2025 Act repeals the earlier statute prospectively while preserving qualifying pre-existing approvals, registrations and recognitions through its repeal-and-savings provisions. Under the new framework, registration and approval functions for non-profit organisations are principally reflected in sections 332 and 354. The legacy references in the CSR framework should therefore be read subject to these transitional and corresponding provisions until consequential amendments are made to the CSR Rules or forms.

C. Methodological Fragmentation and the Standardisation Deficit

Despite the statutory move towards mandatory impact evaluation, the legal framework stops short of prescribing uniform indicators or methodological templates, leaving companies substantial discretion to design their own measurement systems. This

regulatory choice reflects a deliberate preference for flexibility, allowing diverse sectors to tailor indicators to local needs, but it simultaneously results in a fragmented ecology of self-devised indicators.

Empirical surveys indicate that most companies privilege output-oriented indicators—such as numbers of beneficiaries reached or infrastructure units constructed—over outcome or impact-oriented measures capturing changes in health, education, or environmental resilience⁹. Outputs are immediate, tangible products delivered by a project, whereas outcomes refer to short- to medium-term effects arising from the use of those outputs. Impact denotes the longer-term, ultimate changes in community well-being. The systemic bias towards counting activities undermines the notion of impact envisaged by the legal framework.

Cross-company reporting in listed entities reveals wide variation in frameworks, with only a subset disclosing robust methodologies and fewer aligning their indicators to recognised national or international standards. The heterogeneity of tools, sampling strategies, and stakeholder inclusion makes aggregation or comparative analysis extremely difficult for regulators and researchers. This diversity enables cosmetic reporting and impact washing. Consultancies often deploy proprietary tools or sector-specific scorecards, which are rarely standardised or publicly available, limiting replicability. Statutory and social auditors tasked with reviewing compliance cannot rely on a shared set of benchmarks, making their assessments highly subjective inquiries.

D. Institutional Independence and Conflict of Interest

The quality and independence of impact-assessment agencies constitute a structural concern within the current regime. Rule 8(3) requires the assessment to be undertaken by an independent agency but does not prescribe statutory qualifications, accreditation criteria, or a central empanelment mechanism for such assessors. Significantly, the Ministry of Corporate Affairs has clarified that the Board itself has the prerogative to determine the eligibility criteria for selecting the independent agency. This substantial Board discretion permits flexibility in matching evaluators to

⁹ KPMG, State of Impact Reporting in India (KPMG 2024).

project-specific requirements, but it also leaves the competence and independence of assessors largely dependent upon corporate selection processes rather than uniform regulatory standards. The regulatory framework therefore mandates independence without establishing an external mechanism for determining or verifying the professional eligibility of the assessor.

The market of assessment agencies includes non-governmental organisations, small research consultancies, and large professional firms operating under self-defined standards. Many companies and agencies lack the requisite expertise, leading to assessments that are methodologically weak and overly descriptive. Independence cannot be assured merely by formal separation; it requires institutional arrangements that insulate evaluators from corporate influence. Soft-law instruments emphasise that independence is necessary to avoid conflicts of interest, yet boards may select agencies with prior working relationships.

The risk of conflict of interest is heightened where companies route activities through related foundations or long-standing partner organisations. Evaluations carried out by entities tied to corporate funding blur the line between implementing agencies and assessors. Agencies facing implicit pressure to frame findings favourably may present incremental outputs as meaningful impact. Economic dependence also compromises independence, as agencies relying substantially on these contracts for revenue may be reluctant to jeopardise future business by producing critical reports.

E. Participatory Deficits and Long-Term Measurement Challenges

Inadequate community participation represents a structural challenge that undermines the legitimacy and effectiveness of interventions. Beneficiary communities are often treated as passive recipients rather than co-designers of projects or co-authors of success indicators. Initiatives are implemented without rigorous needs assessments or participatory diagnostic exercises, making it difficult to ensure interventions reflect local priorities. Projects are frequently chosen according to senior management preferences or branding considerations, resulting in fragmented activities with limited long-term impact.

The exclusion of communities from impact definition sits uneasily with contemporary development discourse, which insists that participatory monitoring should involve primary stakeholders at every stage¹⁰. Beneficiaries are typically engaged only at the data-collection stage, reducing participation to instrumental consultation. When success indicators are set unilaterally by corporate teams, they focus on outputs that are easy to count. Meaningful local involvement is essential to understanding community priorities; without it, indicators risk capturing corporate activity rather than social change.

Furthermore, difficulties in measuring long-term impact arise from the temporal design of interventions and limitations within the regulatory framework. Many companies allocate budgets toward the end of the financial year, creating a structural bias towards short-duration projects with limited strategic planning. Rule 8(3) does not require an impact assessment to be undertaken within one year after completion; rather, a qualifying project must have been completed for at least one year before the impact study is undertaken. The Rules prescribe no maximum period within which the assessment must be completed and impose no mandatory requirement for subsequent or periodic reassessment.

Although this flexibility allows sufficient time for project outcomes to emerge, the absence of an outer deadline and longitudinal follow-up requirement may produce inconsistent assessment periods and leave longer-term effects insufficiently examined. Measuring enduring social impact also involves attribution difficulties and data-collection challenges, particularly in remote communities. Consequently, a company may satisfy the statutory assessment requirement through a single post-completion study without being required to examine whether reported outcomes are sustained over a longer period.

F. Jurisdictional Gaps and Competing Proposals for CSR Threshold Reform

Jurisdictional gaps create a potential blind spot in the application of the CSR framework to multinational and digital-platform businesses. Section 135 applies by reference to the

¹⁰ P Debnath and P Chellasamy, 'An Empirical Study on Issues and Challenges of Corporate Social Responsibility Activities in India' (2022) 13(4) *Asian Journal of Management* 345.

qualifying company and the prescribed financial thresholds rather than the consolidated economic presence of an international corporate group. Consequently, foreign enterprises whose Indian corporate presence does not independently satisfy the statutory conditions may fall outside the CSR obligation notwithstanding substantial group-level economic activity connected with the Indian market. This entity-specific design provides a clear statutory basis for applicability but raises a broader policy question concerning whether economic presence and corporate form should remain the sole determinants of CSR coverage.

Proposals before Parliament have, however, taken materially different approaches to the future scope of CSR applicability. The Companies (Amendment) Bill 2025, a Private Member's Bill introduced by Shri Sandosh Kumar P. in the Rajya Sabha on 5 December 2025, proposes lowering the Section 135(1) thresholds to a net worth of ₹100 crore, turnover of ₹500 crore, or net profit of ₹3 crore, thereby seeking to extend the CSR framework to a wider range of companies. The Bill remains pending and these thresholds have not become law.

A different approach appears in the Government's Corporate Laws (Amendment) Bill 2026, introduced in the Lok Sabha on 23 March 2026. Clause 43 proposes increasing the net-profit trigger from ₹5 crore to ₹10 crore, while retaining the existing net-worth and turnover thresholds of ₹500 crore and ₹1,000 crore respectively. It also proposes increasing the threshold below which the Board may directly discharge CSR Committee functions from ₹50 lakh to ₹1 crore, or such higher prescribed amount, and would permit prescribed classes of companies satisfying prescribed conditions to be exempted from Section 135. The Joint Committee on the Bill presented its report on 3 August 2026; the proposal remains pending and therefore does not alter the presently applicable statutory thresholds.

These competing proposals make it inappropriate to characterise legislative reform as moving uniformly towards expanded coverage of mid-sized enterprises. Rather, they reveal differing approaches to the breadth and compliance intensity of mandatory CSR. The Joint Committee also recommended that the Government examine the feasibility of recognising CSR contributions in kind, an issue that may offer alternative

implementation mechanisms but would require appropriate valuation, verification and disclosure safeguards. The relationship between company-size thresholds and impact assessment must likewise remain distinct: Rule 8(3) is triggered by the company's average CSR obligation and project outlay, so any future alteration of Section 135 applicability would not by itself determine whether individual projects require statutory impact assessment.

G. Comparative Accountability: India, the European Union and the United Kingdom

The Indian CSR regime, the European Union sustainability-reporting framework and the United Kingdom sustainability-reporting framework embody distinct regulatory approaches. India principally mandates expenditure on prescribed CSR activities, accompanied by disclosure and impact assessment for qualifying projects. The European Union follows a disclosure-and-assurance model, although Directive (EU) 2026/470 substantially narrowed the scope of mandatory sustainability reporting. Under the amended framework, the principal reporting obligation applies to undertakings exceeding both €450 million in net turnover and an average of 1,000 employees.

Double materiality nevertheless remains central: covered undertakings must report both their material impacts on sustainability matters and the material effects of sustainability matters on their development, performance and position.¹¹ The 2026 reforms also recalibrated the EU assurance framework. Sustainability reporting remains subject to limited assurance, while the previously contemplated progression towards mandatory reasonable assurance has been removed. The reforms

¹¹ Directive (EU) 2026/470 of the European Parliament and of the Council of 24 February 2026 amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting requirements and certain corporate sustainability due diligence requirements, OJ L, 2026/470, 26 February 2026.

additionally require simplification of the European Sustainability Reporting Standards, including fewer datapoints and clearer application of materiality.¹²

The EU therefore provides India with a narrower, but still standardised, double-materiality-based and independently assured comparator. Its relevance lies less in the breadth of corporate coverage and more in the structured relationship between materiality assessment, common reporting standards and external assurance. The United Kingdom should be distinguished from this model. UK SRS S1 and S2, published on 25 February 2026, are based on the ISSB standards and focus on sustainability-related risks and opportunities capable of affecting an entity's prospects. They consequently adopt a financially focused materiality approach rather than the EU concept of double materiality.

The standards are currently available for voluntary use, while mandatory application remains dependent upon subsequent governmental and Financial Conduct Authority measures.¹³ The UK therefore provides a separate comparator based on internationally aligned, investor-oriented sustainability disclosure rather than double-materiality reporting. These distinctions refine the comparative lesson for India. The Indian framework secures mandatory social expenditure but does not impose legal consequences merely because a properly funded project produces weak social outcomes.

The EU illustrates the potential value of standardised disclosures, double materiality and limited assurance, while the UK demonstrates an ISSB-aligned financial-materiality model. Rather than importing either system wholesale, India could strengthen outcome accountability through clearer impact standards, greater

¹² Directive (EU) 2026/470, above; Commission Delegated Regulation (EU) 2026/1563 of 3 July 2026 amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain sustainability reporting standards, OJ L, 2026/1563, 21 September 2026.

¹³ Department for Business and Trade, *UK SRS S1: General Requirements for Disclosure of Sustainability-related Financial Information* (25 February 2026); Department for Business and Trade, *UK SRS S2: Climate-related Disclosures* (25 February 2026); Department for Business and Trade, 'Government Response to the Consultation on UK Sustainability Reporting Standards' (25 February 2026).

methodological comparability and appropriately independent assurance while retaining its distinctive expenditure-based CSR architecture.

V. SUGGESTIONS AND RECOMMENDATIONS

Based on the doctrinal analysis of the current legislative and regulatory framework, the following analytical reforms are recommended to elevate the regime from a spending mandate to an evidence-based development finance instrument:

- 1. Establish a National Assessment Standard with Sector-Specific Indicators:** The Ministry of Corporate Affairs, in collaboration with national planning bodies, should develop a binding national standard that prescribes sector-specific core metrics. Standardisation would enable cross-project comparability, facilitate the aggregation of national data, and reduce reliance on uncontextualised global criteria.
- 2. Create a Regulatory Body for Independent Assessors:** A dedicated regulatory authority or accreditation board must be established to prescribe minimum qualifications, maintain a public register of accredited assessors with disciplinary records, and enforce strict conflict-of-interest protocols, including cooling-off periods for assessors evaluating projects they previously implemented.
- 3. Mandate Longitudinal Follow-Up Across CSR Funding Routes:** For large-scale CSR projects exceeding ₹5 crore in outlay, a longitudinal evaluation protocol should capture outcomes at appropriate post-implementation intervals rather than relying upon a single assessment. For projects governed by Rule 8(3), the statutory cost framework should accommodate such follow-up evaluation. Where a project is financed through a Rule 4A ZCZP instrument and is therefore exempt from company-level impact assessment, equivalent longitudinal outcome information should be incorporated into the Social Stock Exchange impact-reporting framework so that the exemption does not create a long-term evidence gap.
- 4. Establish an Integrated Public Digital Repository:** To remedy transparency and fragmentation deficits, a searchable, machine-readable repository should integrate impact assessments prepared under Rule 8(3) with Annual Impact

Reports and relevant project-utilisation disclosures generated through the Social Stock Exchange framework. Standardised metadata should identify the funding route, implementing entity, project location, expenditure, methodology and reported outcomes. Interoperability between MCA and SEBI disclosures would facilitate cross-project comparison, meta-evaluation and public scrutiny while preventing the Rule 4A exemption from creating a separate and less accessible body of CSR impact information.

5. **Extend Obligations to Foreign Digital Corporations:** The primary legislation should be amended to incorporate a "significant economic presence" test, capturing large foreign digital corporations that generate substantial revenue from Indian users without physical presence. Assessments for these entities should focus on digital inclusion, algorithmic accountability, and data ethics.
6. **Integrate Impact Metrics with Sustainable Development Goals:** A formal integration mechanism should map corporate impact indicators to national sustainable development targets. Companies should report outcomes using a standardised tagging protocol, enabling the state to aggregate private sector contributions for international reporting and policy coherence.
7. **Align Social Metrics with ESG Standards:** Regulatory bodies overseeing corporate affairs and securities markets must harmonise impact metrics with broader business responsibility and sustainability reporting frameworks. Reconciling project-level outcomes with core ESG indicators would eliminate duplicative reporting and enhance data credibility for international investors.

VI. CONCLUSION

Mandatory impact assessment under the Companies (Corporate Social Responsibility Policy) Rules 2014, framed under the Companies Act 2013, represents a significant regulatory development by requiring qualifying companies to undertake independent post-completion evaluation of specified CSR projects.¹⁴ Its effectiveness nevertheless

¹⁴ *Companies (Corporate Social Responsibility Policy) Rules 2014*, r 8(3), as substituted by the *Companies (Corporate Social Responsibility Policy) Amendment Rules 2021*, GSR 40(E) (22 January 2021) r 8; r 8(3)(c)

remains constrained by methodological fragmentation, the absence of uniform assessor-accreditation standards, limited comparability of outcomes, and the lack of legal consequences merely because a project proves ineffective.

The threshold-based structure of Rule 8(3) already excludes numerous smaller projects, while Rule 4A, introduced in 2026, creates an additional and distinct exception by exempting companies from undertaking Rule 8(3) impact assessment for projects financed through qualifying zero coupon zero principal instruments. The Rule 4A exemption does not amount to a complete removal of accountability because ZCZP-funded projects operate within the SEBI Social Stock Exchange framework, which imposes separate impact and utilisation-reporting requirements.

It nevertheless produces a dual regulatory architecture in which conventional CSR projects and SSE-financed projects are evaluated through different mechanisms. Meaningful reform should therefore focus not only on expanding impact assessment, but also on harmonising methodologies, disclosure standards and longitudinal outcome reporting across the MCA and SEBI frameworks. An integrated public repository, interoperable reporting standards and stronger linkage between assessment findings and future project design would help convert mandatory corporate expenditure into verifiable and sustainable social value.

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