

Approach to strategic CSR under the new amendments



The landscape of Corporate Social Responsibility (CSR) and its implementation in India has experienced significant evolution in recent years. When strategically approached, CSR presents a unique opportunity for companies to seamlessly integrate social, environmental, and economic concerns into their values, decision-making processes, strategies, and operations.

Introduced in 2013 through Section 135 of The Companies Act 2013, the Ministry of Corporate Affairs (MCA) mandated companies of a certain financial size to prioritise CSR. Schedule VII of the Act outlines specific areas where companies can channel their social investments under CSR. Subsequent to this, the CSR Rules 2014 established the parameters for executing CSR projects and programmes.

From 2014 to 2021, the landscape witnessed multiple changes in Section 135, Schedule VII, and the CSR Rules. The MCA consistently issued clarifications and FAQs to provide

Key amendments

In 2021, substantial amendments were made to the CSR Rules, introducing new guidelines for planning, executing, and reporting. In the same year, MCA also released FAQs addressing concerns related to amendments made to the CSR Rules.

- Guidelines on what will and what will not qualify as CSR
- Mandatory registration and filing of CSR-1 for implementation partners
- Distinction between in-year and ongoing project
- Treatment of unspent CSR budget – introduction of unspent CSR account
- Admin overheads capped at 5% of the total CSR expenditure
- List of non-permissible expenses under admin overheads
- Treatment of surplus / interest and capital assets of CSR projects
- Need for third party impact assessment of specific projects
- Use of CSR budget for impact assessment (higher of 2% of expenditure or INR 50 Lakhs)
- Certification of the utilisation of funds by the Chief Financial Officer (CFO) or equivalent
- Penal provisions for non-compliance to the CSR Rules
- New CSR reporting format
- Filing of CSR report on MCA portal
- Clear definition of ‘spent’ about CSR budget – disbursement is not enough

In July 2025, MCA has revised the pre-requisites for CSR-1 registration for NGOs. Entities are now required to disclose if they were set up by a company or a group of companies. Digital signatures of the entities authorized signatories and certification from a practicing CA / CS / CMA are required.

Common concerns across the CSR lifecycle

Formulating CSR policy strategy and setting up CSR committee

- Is our CSR policy in line with the evolving CSR rules and regulations?
- Do we have adequate safeguards and controls for the approval authorities viz. CSR committee and Board of Directors?
- Does our team need capacity building or any other support?

Approving locations, projects, and budgets

- What is the rationale for undertaking CSR projects in the geographic focus areas that we have chosen?
- Are the projects in alignment with Schedule VII, CSR policy, national priorities, SDGs, among others?
- Are we compliant with the rules and regulations vis-à-vis our locations, projects, and budgets?

Finalising partners

- Did we confirm our partner's capacity to deliver, their relevant experience, and systems & processes?
- Is there an alignment between our social development objectives and our partners' organisational goals?
- Do we have sufficient controls and safeguards to manage the relationships with our NGO partners?

Implementation of projects

- What is the implementation plan for our projects?
- How are we measuring successes and identifying gaps?
- Do we have adequate oversight on the projects given that it is the function of the CSR committee?

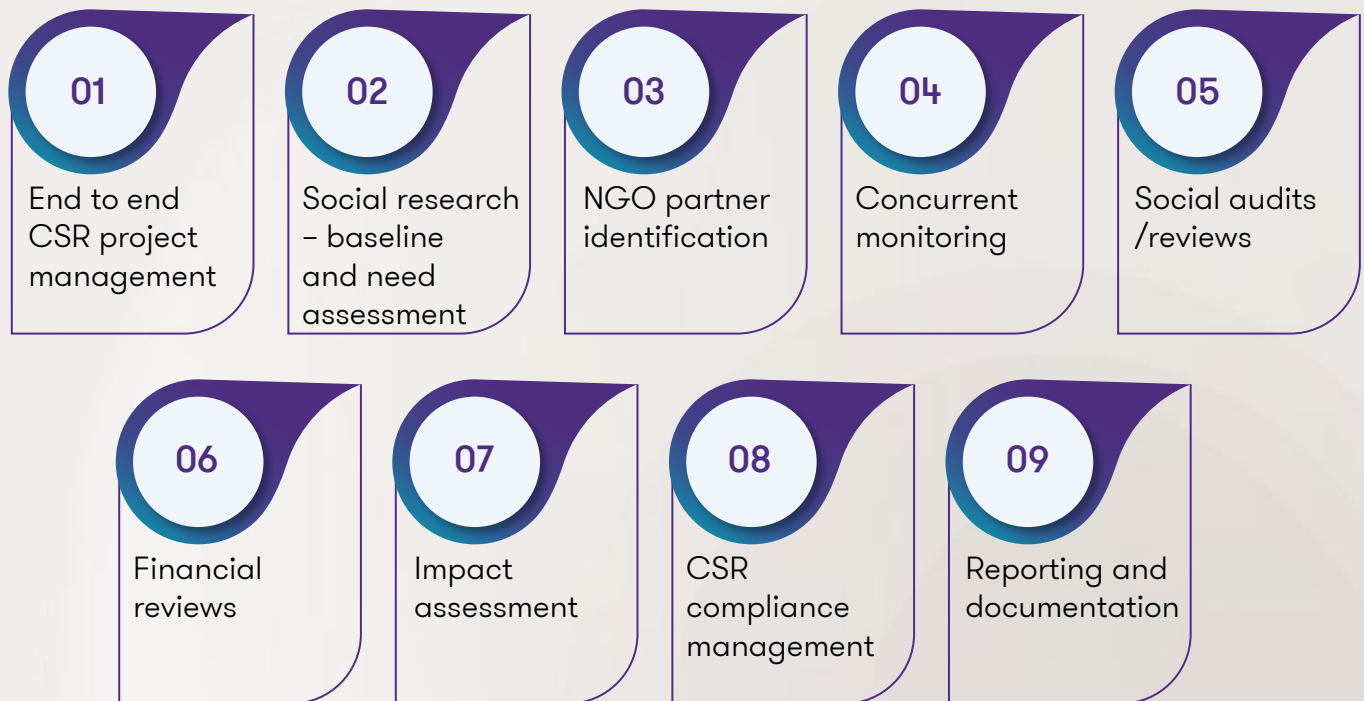
Impact assessment and reporting

- How frequently and comprehensively are we reporting the progress to our CSR committee and Board of Directors?
- As the CSR related information is publicly available are we sure we are providing the right information to our external stakeholders?
- What is our outlook for impact assessment – compliance requirement or decision-making tool?

How can Grant Thornton help

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Our ESG practice constitutes of a dedicated team working to support efforts towards sustainable development. Our team understands the common challenges, and provides tailor-made solutions leveraging on our knowledge, experience, and enthusiasm. Our clients include corporates, corporate foundations, philanthropic organisations, multilateral and international agencies, and not for profit organisations, among others.



Experience

Over the years, we have supported over 150 corporates, channelising over INR 1,500 crores of social investments. This has been done by developing the appropriate projects, forming the right partnerships, and providing adequate oversight. With our vast experience, we have developed a comprehensive database of implementation partners. With a keen focus on governance, compliance, and social development, we are enabling our clients to leverage the true potential of CSR.

Contact us for more details:



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