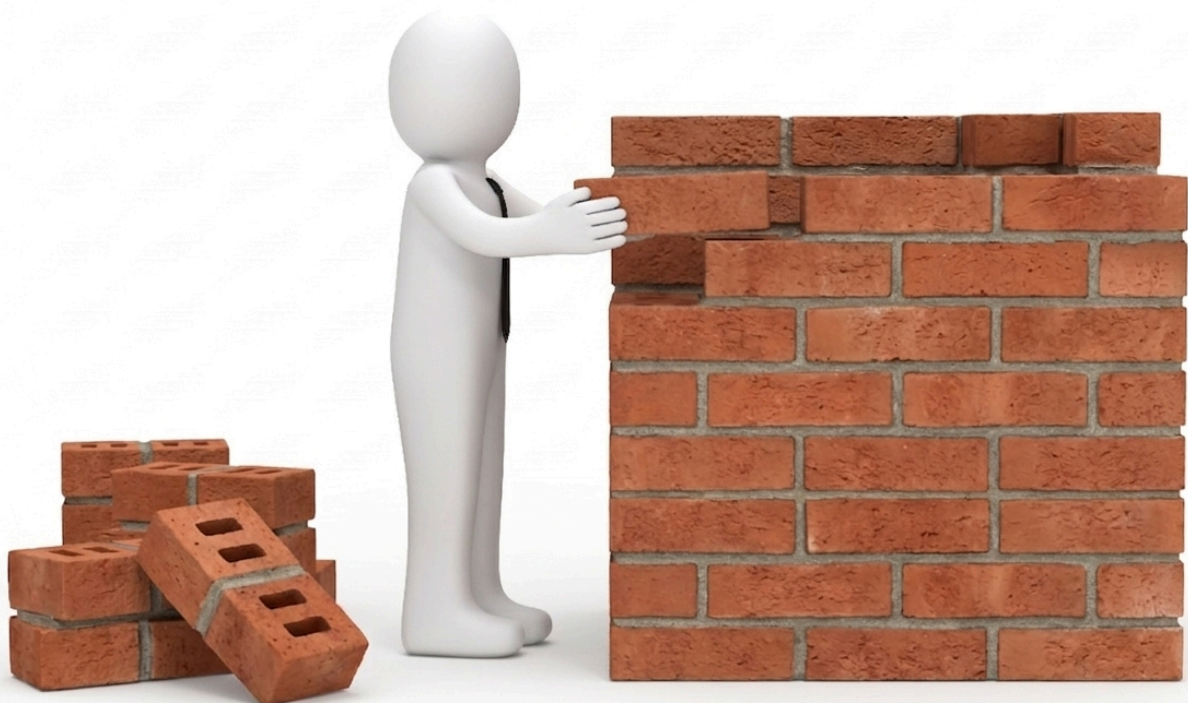


CSR NORMS AND PRACTICES

VOLUME II ISSUE 1



**IMPACT ASSESSMENT: MOVING FROM SPENDING
COMPLIANCE TO OUTCOME ACCOUNTABILITY**

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1. Introduction

The discourse on wealth has never been limited to its creation; its responsible use has been equally significant. Across centuries, societies have grappled with a fundamental question of how resources can be used to ensure fairness, dignity, and collective well-being. Different approaches have attempted to address this, ranging from state led redistribution to voluntary giving rooted in moral responsibility. However, neither approach in isolation proved sufficient, particularly in driving long term and systemic change. As societies evolved, so did expectations from corporations that draw extensively from societal resources and, in turn, hold significant economic power and influence. Corporations are no longer viewed solely as profit making entities; their legitimacy increasingly depends on how they engage with the communities and environments in which they operate.

In response to these evolving expectations, Corporate Social Responsibility (CSR) has emerged as a structured and policy driven approach. In India, CSR has been formalized under the Companies Act, 2013, positioning it as an integral part of corporate governance. It marks a shift from discretionary philanthropy to planned interventions under a defined compliance framework aligned with organizational objectives and societal needs.

Continuing in this direction, the earlier issues of CSR Norms and Practices have examined foundational aspects such as applicability, fund utilisation, policy formulation, and governance mechanisms. They have also covered the roles of the CSR Committee and the Board, highlighting that CSR is not merely about spending, but about responsible planning, implementation, and oversight. Building on this foundation, the present issue takes the discussion forward. Volume 2, Issue 1, titled Impact Assessment: Moving from Spending Compliance to Outcome Accountability, focuses on the legal provisions governing impact assessment. It examines when such assessment becomes mandatory, the limits on related expenditure, reporting requirements, collaborative projects, and the roles of the CSR Committee and the Board, along with implications of non-compliance.

By examining these aspects, this issue seeks to provide clarity on how Impact Assessment functions as a statutory feedback mechanism embedded within the CSR lifecycle, strengthening transparency, outcome-oriented CSR, and long-term strategic alignment of CSR initiatives.

2. What is Impact Assessment?

“Impact assessment” is a combination of two words with distinct Latin origins: impact, derived from *impactus*, meaning “to strike against,” and assessment, derived from *assidere*, meaning “to sit beside” or evaluate. Together, the term conveys the idea of closely examining the effects of an action. While the individual words are much older, the combined expression gained prominence in the 1960s and 1970s as a formal approach to evaluating the consequences of projects and policies.

In simple terms, impact assessment refers to the process of evaluating the actual changes brought about by a project, program, or intervention after it has been implemented. It focuses on understanding the extent to which intended objectives have been achieved and examines outcomes, positive or negative, direct or indirect, and expected or unintended. This understanding becomes particularly important in contexts where significant resources are deployed with the expectation of creating social change, making it essential to assess whether such efforts are actually leading to the intended outcomes.

With the introduction of Section 135 under the Companies Act, 2013, Corporate Social Responsibility (CSR) assumed a structured and formal framework, establishing it as a defined responsibility for eligible companies. Since then, CSR has moved beyond philanthropic intent to a more organized and strategic function involving multiple stakeholders, including companies, implementing agencies, communities, and regulators. This transition has also led to a significant increase in CSR expenditure.

However, as highlighted in a report by NITI Aayog on Social Impact Assessment of CSR in India (FY 2014 to FY 2020), this increase in spending has not been accompanied by a corresponding depth of evidence on outcomes. The report notes that while substantial resources have been deployed, often concentrated in specific sectors and geographies, there remains limited empirical understanding of the changes resulting from these interventions.

This disconnect between spending and demonstrated outcomes led to a greater emphasis on impact assessment, not merely as a conceptual exercise, but as a critical process to determine whether CSR initiatives are creating meaningful and measurable change. Recognizing this need, the concept of impact assessment in CSR was formally introduced through the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 under the Companies Act, 2013.

3. Applicability of Impact Assessment

The requirement for impact assessment is provided under Rule 8(3)(a) of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 issued under the Companies Act, 2013. Impact assessment is not a mandatory requirement for every company that falls under the CSR ambit. The obligation is determined based on a company's CSR spending over a period of time, along with the size and completion status of specific CSR projects.

Companies having an average CSR obligation of ₹10 crore or more during the three immediately preceding financial years are required to carry out impact assessment of their CSR projects. Further, it applies only to those CSR projects that have an outlay of ₹1 crore or more and have been completed at least one year prior to the assessment.

Rule 8(3)(a) of The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021:

Every company having average CSR obligation of ten crore rupees or more in pursuance of sub-section (5) of section 135 of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study.

For instance, ABC Private Limited has CSR obligations of ₹12 crore, ₹9 crore, and ₹11 crore during FY 2022–23, FY 2023–24, and FY 2024–25 respectively. The average CSR obligation in this case comes to ₹10.67 crore. Since this exceeds ₹10 crore, the company will be required to undertake impact assessment in FY 2025–26.

Now, suppose the company is implementing six CSR projects with outlays of ₹50 lakh, ₹90 lakh, ₹2 crore, ₹1.5 crore, ₹75 lakh, and ₹1.2 crore. In this case, impact assessment will be required only for those projects where the outlay is ₹1 crore or more, that is, the projects with outlays of ₹2 crore, ₹1.5 crore, and ₹1.2 crore, provided these projects have also been completed for at least one year.

Note: In cases where the above thresholds are not met, impact assessment may still be undertaken by the company on a voluntary basis.

4. Mode of Execution

The manner in which impact assessment is to be undertaken is prescribed under Rule 8(3)(a) of The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, which mandates that, wherever applicable, such assessment shall be carried out through an independent agency. Accordingly, when a company is required to conduct an impact assessment, it is required to engage an independent external agency for this purpose.

The law requires that the assessment be carried out independently; however, it does not prescribe specific eligibility criteria for the selection of such agencies. As clarified by the Ministry of Corporate Affairs through its Frequently Asked Questions on CSR, the Board has the prerogative to determine the eligibility criteria and select the independent agency for undertaking impact assessment.

5. Cost of Impact Assessment

The CSR framework recognises that impact assessment involves specialised evaluation and professional expertise. Accordingly, companies are permitted to book the cost pertaining to carrying out the impact assessment as CSR expenditure for the relevant financial year. However, this is subject to a prescribed limit. The amount that can be booked towards CSR on account of impact assessment shall not exceed two percent of the total CSR expenditure of the company for that financial year or fifty lakh rupees, whichever is higher. This position is based on the amendment introduced through the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022 under the Companies Act, 2013. Prior to this amendment, the limit was five percent of CSR expenditure or fifty lakh rupees, whichever was less. The amendment made two key changes by reducing the percentage from five percent to two percent and by revising the condition from whichever is less to whichever is higher.

Rule 8(3)(c) of The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022:

“A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed two percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher.”

Further, as clarified by the Ministry of Corporate Affairs through its FAQs on CSR, the expenditure incurred on impact assessment is over and above the limit prescribed for administrative overheads. Accordingly, such expenditure is not required to be included within the five percent cap applicable to administrative overheads.

6. Pooled CSR Projects

Two or more companies may collaborate for the implementation of a common CSR project by pooling their financial and operational resources. Such collaboration is recognised under the CSR framework, including Rule 4(4) of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, provided that each participating company is able to account for its contribution to the project.

In cases where a collaborative CSR project meets the criteria for mandatory impact assessment, a practical consideration arises regarding whether each participating company is required to undertake a separate assessment. This has been clarified by the Ministry of Corporate Affairs through General Circular No. 14/2021 dated 25 August 2021 (FAQs on CSR). It states that where two or more companies undertake a common CSR project, the impact assessment carried out by one company may be shared with the other participating companies. Accordingly, a single impact assessment may be relied upon by all collaborating companies, thereby avoiding duplication of effort and ensuring efficient utilisation of resources.

With respect to expenditure, the cost of conducting the impact assessment may be shared among the collaborating companies in a mutually agreed manner. However, each company is required to ensure that its share of such expenditure remains within the limits prescribed under the law.

7. Key Elements of Effective Impact Assessment

While the legal framework under the Companies Act, 2013 and the CSR Rules requires certain companies to undertake impact assessment, it does not prescribe a detailed methodology for conducting such assessments.

In practice, organizations and independent agencies adopt structured approaches to ensure that assessments are credible, focused, and useful for decision-making. Accordingly, the following elements are commonly considered by evaluators while undertaking impact assessments:

- (a) Clear Objectives and Baseline** – A well-defined set of objectives is essential to determine what the project intends to achieve. Wherever possible, baseline data should be captured to enable comparison and measurement of change over time.
- (b) Project Indicators** – Indicators should be aligned with project objectives and limited to what is measurable and relevant.
 - Output indicators track activities completed.
 - Outcome indicators reflect short- to medium-term changes.
 - Impact indicators capture long-term effects.

Clarity and relevance of indicators are more important than quantity.

- (c) Use of Mixed Methods** – A combination of qualitative and quantitative methods is generally adopted:
 - Qualitative methods include interviews, focus group discussions, and field observations.
 - Quantitative methods include surveys and defined performance metrics.

Using both approaches provides a more balanced and reliable assessment.

- (d) Triangulation of Findings** – Findings are typically validated by cross-verifying information from multiple sources and methods.

Note: Refer Annexure – 1 for the illustrative CSR impact assessment template.

8. Role of CSR Committee & Board

Impact assessment is embedded within the broader CSR governance framework. Although the assessment itself is carried out by an independent agency, the responsibility for initiating, reviewing, and acting upon its findings rests with the CSR Committee and the Board.

The CSR framework envisages that the CSR Committee places the annual action plan before the Board. The action plan should include details relating to need and impact assessment for the projects undertaken by the company, wherever applicable.

Rule 5(2) of The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021:

“The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely: -

- the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- the manner of execution of such projects or programmes as specified in sub-rule (1) of rule;
- the modalities of utilisation of funds and implementation schedules for the projects or programmes;
- monitoring and reporting mechanism for the projects or programmes; and
- details of need and impact assessment, if any, for the projects undertaken by the company:

Provided that Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.”

Accordingly, it may also recommend the appointment of an independent agency and review the assessment findings once received. Based on such findings, the Committee may suggest corrective measures or strategic modifications to improve the effectiveness of CSR initiatives.

The Board, being ultimately responsible for CSR governance, is required to take note of the impact assessment findings and ensure that the observations and recommendations are appropriately considered. These findings serve as an important input for refining future CSR strategies and annual action plans.

9. Disclosure and Reporting

In order to promote transparency and accountability in the implementation of CSR activities, the law prescribes specific disclosure requirements in relation to impact assessment. Rule 8(3)(b) of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 provides that the impact assessment report shall be placed before the Board and annexed to the Annual Report on CSR. This ensures that the Board formally considers the findings of the assessment and that stakeholders are informed about the outcomes of the company's CSR initiatives.

However, recognizing that impact assessment reports may be detailed and extensive, the Ministry of Corporate Affairs, through General Circular No. 14/2021 dated 25 August 2021 (FAQ on CSR), has clarified that providing a web-link to access the complete impact assessment report, along with an executive summary of the report in the Annual Report on CSR, would be treated as sufficient compliance with Rule 8(3)(b). This clarification reflects a balanced regulatory approach, maintaining substantive transparency while allowing flexibility in the mode of disclosure.

10. Non-Compliance and Penal Provisions

There is no specific penalty prescribed exclusively for failure to conduct impact assessment. However, non-compliance would attract consequences under the broader enforcement framework of the Companies Act, 2013.

The Ministry of Corporate Affairs has clarified through General Circular No. 14/2021 dated 25 August 2021 (FAQs on CSR) that non-compliance with provisions of Section 135 or the CSR Rules would trigger applicable penal provisions. Accordingly, failure to make prescribed disclosures in the Board's Report may attract penalties under Section 134(8), while other contraventions may be covered under the general penalty provisions of Section 450 of the Act.

Section 134(8) of the Companies Act, 2013:

If a company is in default in complying with the provisions of this section, the company shall be liable to a penalty of three lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.

Section 450 of the Companies Act, 2013:

If a company or any officer of a company or any other person contravenes any of the provisions of this Act or the rules made thereunder, or any condition, limitation or restriction subject to which any approval, sanction, consent, confirmation, recognition, direction or exemption in relation to any matter has been accorded, given or granted, and for which no penalty or punishment is provided elsewhere in this Act, the company and every officer of the company who is in default or such other person shall be 1]liable to a penalty of ten thousand rupees, and in case of continuing contravention, with a further penalty of one thousand rupees for each day after the first during which the contravention continues, subject to a maximum of two lakh rupees in case of a company and fifty thousand rupees in case of an officer who is in default or any other person

Under Section 454(3) of the Companies Act, 2013, the adjudicating officer may, by an order, impose penalties on the company and the officer in default, and may also direct rectification of the non-compliance. Further, as per Section 454(8), failure to comply with such an order within ninety days may result in additional penalties, including fines on the company and, in certain cases, imprisonment or fine for the officer in default.

11. Conclusion

Impact assessment represents the evolution of CSR in India from a compliance-driven activity to a genuine instrument of social change. The mandatory framework establishes standards, shifting the focus from "compliance through spending" to "accountability through outcomes". Companies that embrace impact assessment as a strategic tool, rather than a regulatory burden, will find that it transforms how they approach CSR. It provides a vital feedback loop that enables the Board of Directors to refine social interventions, optimize resource allocation, and maximize the effectiveness of every rupee spent. Over time, this shift leads to better-designed programmes, more meaningful beneficiary engagement, and greater resource efficiency. Further, as these findings move into the public domain through mandatory disclosures, they reinforce a culture of transparency. Therefore, integrating impact assessment into the CSR lifecycle ensures that corporate contributions create deeper and more lasting social impact.

ANNEXURE – 1

ILLUSTRATIVE FORMAT FOR CSR IMPACT ASSESSMENT REPORT

Note: The law does not prescribe any specific format for preparing an impact assessment report. The structure presented below is only for reference and is intended to serve as a good practice guide. Companies may adopt, modify, or expand this format based on the nature, scale, and sector of their CSR projects.

Part 1 – Cover Information (Title Page)

Field	Details to Be Filled
Title of the Report	Impact Assessment Report of [Project Name]
Reporting Company	[Name of the company commissioning the IA]
CSR Project Name	[Full name of the CSR project assessed]
Implementing Agency	[Name of NGO / Government Body / Other]
Project Location	[State(s), District(s), Village(s)]
Project Duration	[Start date] to [End date]
Total CSR Outlay	Rs. [Amount] (as approved by the Board)
Actual Expenditure	Rs. [Amount] (as per audited statements)
Year of Impact Assessment	FY [Year]
Assessing Agency (IA Firm)	[Name, address, and brief credentials of the independent agency]
Date of Report	[DD/MM/YYYY]

Part 2 – Executive Summary

(1–2 pages maximum. This section should be a self-contained summary of the assessment, suitable for inclusion in the Annual Report on CSR. It should cover the project in brief, overall methodology, key findings, and top recommendations.)

Element	Content
Project Overview	One-paragraph description of the CSR project, its objectives, and beneficiaries.
Geographic Reach	States, districts, and communities covered.
Beneficiaries Reached	Total direct and indirect beneficiaries (disaggregated by gender, age, etc., where applicable).
Key Findings	Summary of impact across 3–5 most significant outcome areas.
Overall Assessment	High-level rating of project impact (e.g., using a 5-point scale or traffic-light system).
Top Recommendations	2–3 priority recommendations for the company and implementing agency.

Part 3 – Introduction

1. Background to the CSR Project

- Company overview and CSR mandate under Section 135 of the Companies Act, 2013.
- Description of the CSR project – why it was initiated, what need it was designed to address.
- Reference to the company's CSR Policy and Schedule VII alignment.

2. Objectives of the Impact Assessment

- State the purpose of this IA – what questions it seeks to answer.
- Confirm regulatory applicability (Rule 8(3) compliance or voluntary IA).

3. Scope and Limitations

- Geographic scope and time period covered.
- Any limitations in data availability, access to beneficiaries, or measurement constraints.

Part 4 – Research Methodology

This section should describe in detail how the assessment was conducted, including:

Methodology Element	Description
Assessment Framework	State the framework used – e.g., RUOEI (Relevance, Utility, Operation & Maintenance, Effectiveness, Impact), OECD-DAC (Organisation for Economic Co-operation and Development – Development Assistance Committee) criteria, or other.
Data Collection Tools	Structured questionnaires, interview guides, observation checklists, focus group protocols – attach as annexures.
Qualitative Methods	Interviews, focus groups, case studies, field visits, storytelling – specify with whom and how many.

Quantitative Methods	Surveys, Key Performance Indicators (KPIs), Social Return on Investment (SROI), Environmental Impact Assessment (EIA) – specify sample size, sampling technique, and statistical methods.
Sampling Strategy	State whether sampling was random, purposive, or stratified. Provide sample size with rationale.
Data Analysis Approach	How qualitative data was coded/thematised; how quantitative data was analysed.
Triangulation Approach	How multiple data sources were cross-verified to validate findings.

Part 5 – Project Profile and Stakeholder Details

1. Project Objectives (as approved)
2. Project Activities and Implementation Timeline
3. Financial Summary

Financial Head	Amount (Rs.)
Approved CSR Outlay	
Actual CSR Expenditure	
Balance Unspent (if any)	
IA Expenditure (booked as CSR)	

4. Direct and Indirect Beneficiaries

Beneficiary Category	Number	% Female	% SC/ST/OBC (if applicable)
Direct Beneficiaries			
Indirect Beneficiaries			
Total			

5. SDG Alignment – Specify the SDG Goal(s) and Target(s) that the project contributes to, with brief justification.

Part 6 – Impact Analysis (Project-wise)

For each CSR project assessed, provide a structured analysis under the following headings:

Assessment Dimension	Key Questions to Address
Relevance	Did the project address a genuine, priority need of the target community? Was it aligned with the company's CSR policy and national/state priorities?
Utility	To what extent are the facilities/services created being actively used? (Full / Partial / Not in use – with reasons.)
Operation & Maintenance	Are the assets created being properly maintained? Who is responsible? Is there a maintenance plan in place?
Effectiveness	Did the project achieve its stated outputs and outcomes? What evidence supports this? What were the gaps?

Impact	What tangible and intangible long-term benefits have been delivered? Have there been any unintended positive or negative effects?
Sustainability	Are the benefits likely to persist after project closure? What factors support or threaten long-term sustainability?

This section should include:

- Direct quotations and testimonials from beneficiaries (with proper attribution or anonymisation as appropriate).
- Data tables presenting survey results, satisfaction scores, and before/after comparisons.
- Case studies of individual beneficiaries or communities where the project had notable impact.
- Photographic evidence (where available and consented).

Part 7 – Consolidated Findings, Observations, and Recommendations

1. **Overall Impact Rating** – Summarise the overall project impact using a consistent rating scale. Example:

Rating	Description	Score
Very High	Project significantly exceeded its objectives; deep, sustained community impact.	80%+
High	Project achieved its primary objectives; strong positive community outcomes.	70–79%
Moderate	Project partially met objectives; some positive outcomes with gaps.	60–69%

Low	Project fell short of objectives; limited impact observed.	50–59%
Very Low	Project did not achieve its objectives; impact negligible or negative.	Below 50%

2. **Key Observations** – Bullet-point summary of the most important findings (both positive and negative) across all projects assessed.

3. **Recommendations** – Action-oriented recommendations.

Part 8 – Annexures

- **Annexure A:** Data collection tools (questionnaires, interview guides, etc.)
- **Annexure B:** List of stakeholders consulted (name, role, location – suitably anonymised if required)
- **Annexure C:** Financial statements / CSR expenditure certificates
- **Annexure D:** Photographs and field documentation
- **Annexure E:** SDG mapping matrix
- **Annexure F:** Credentials of the assessing agency



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