FREE GUIDE

EARTH5R GUIDES · NO. 03

How to Design a CSR Policy

A practical guide for boards, CSR committees and CSR heads in India. What the law requires, what leading companies write into their policies, and how to turn a policy into projects that deliver.

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earth5r.org · 2026 edition

ABOUT THIS GUIDE

Most CSR policies are written to comply. The best ones are written to decide.

Many CSR policies in India copy Schedule VII, add a few lines on governance and stop there. They meet the law, but they do not help a committee choose between two good proposals, or say no to a weak one.

A good policy is a strategy in a few pages. It says what the company will fund and why, where, through whom, how results will be checked, and what happens when the money ends. It turns the 2% obligation from an annual scramble into a portfolio that builds year on year.

This guide is for the people who write, approve and run that policy: board members, CSR committee members, CSR heads, company secretaries and CFOs. It draws on the law, on national CSR data, on the published CSR policies and reports of leading Indian companies, and on ten years of Earth5R CSR projects delivered with partner NGOs.

How to use it

Chapters 1 to 5 set out why the policy matters, where CSR money goes and what the law requires. Chapters 6 to 8 learn from the best: the UN-backed Mithi River project and eight companies rated Above Average by TERRA. Chapters 9 to 17 help you build your own, with a model policy, templates and checklists you can download free.

Contents

Not legal advice. This guide summarises the Companies Act, 2013 (Section 135), the Companies (CSR Policy) Rules, 2014 as amended up to 2026, and MCA's CSR FAQs, as of September 2026. Check the current text and take professional advice before you finalise your policy.

CHAPTER 1

Why the policy matters

01

The CSR policy is the one document that decides how a company's CSR money is chosen, spent and judged. Most companies underuse it.

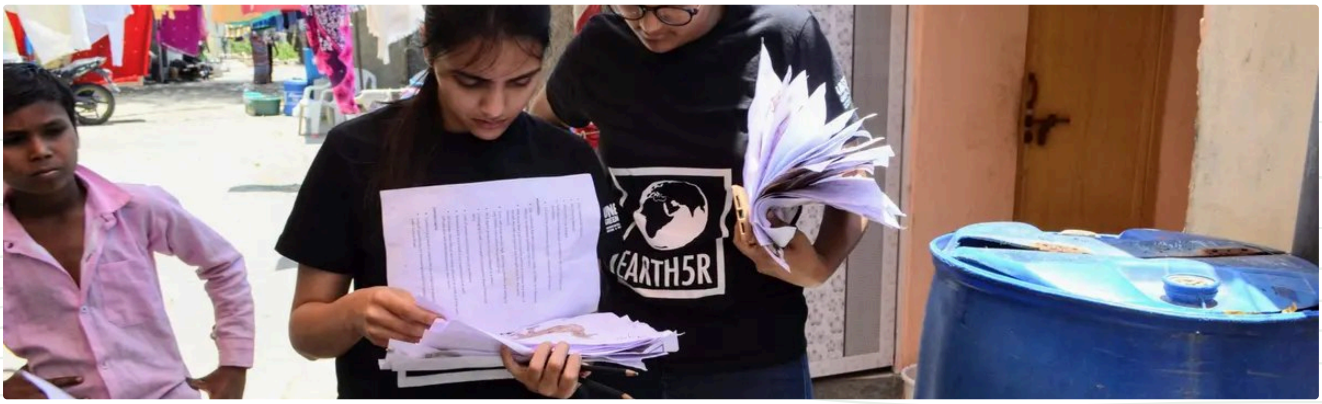
The law asks the board to approve a CSR policy and disclose it. It does not ask for a good one. That gap is where most CSR programmes go wrong.

What a weak policy produces

- **Scattered spend.** Many small grants across unrelated causes, none large or long enough to change anything.
- **A year-end rush.** Money released in the last quarter to avoid unspent amounts, to whoever is ready, not whoever is best.
- **Unverified results.** Reports that list activities and photographs, but no baseline and no outcome.
- **Assets with no owner.** Buildings, machines and plantations handed over without anyone responsible for keeping them going.
- **A gap between claim and reality.** Annual reports that say more than the ground can show.

What a strong policy makes possible

- **Focus.** Two to four themes the company understands, with the depth to show results.
- **Better proposals.** Partners know what the company funds and how it judges, so proposals improve.
- **Multi-year projects.** Ongoing projects of up to three years, planned and funded as such.
- **Evidence.** Baselines, monitoring and impact assessment designed in from the start.
- **Continuity.** Projects that survive a change of CSR head, CEO or chairperson.



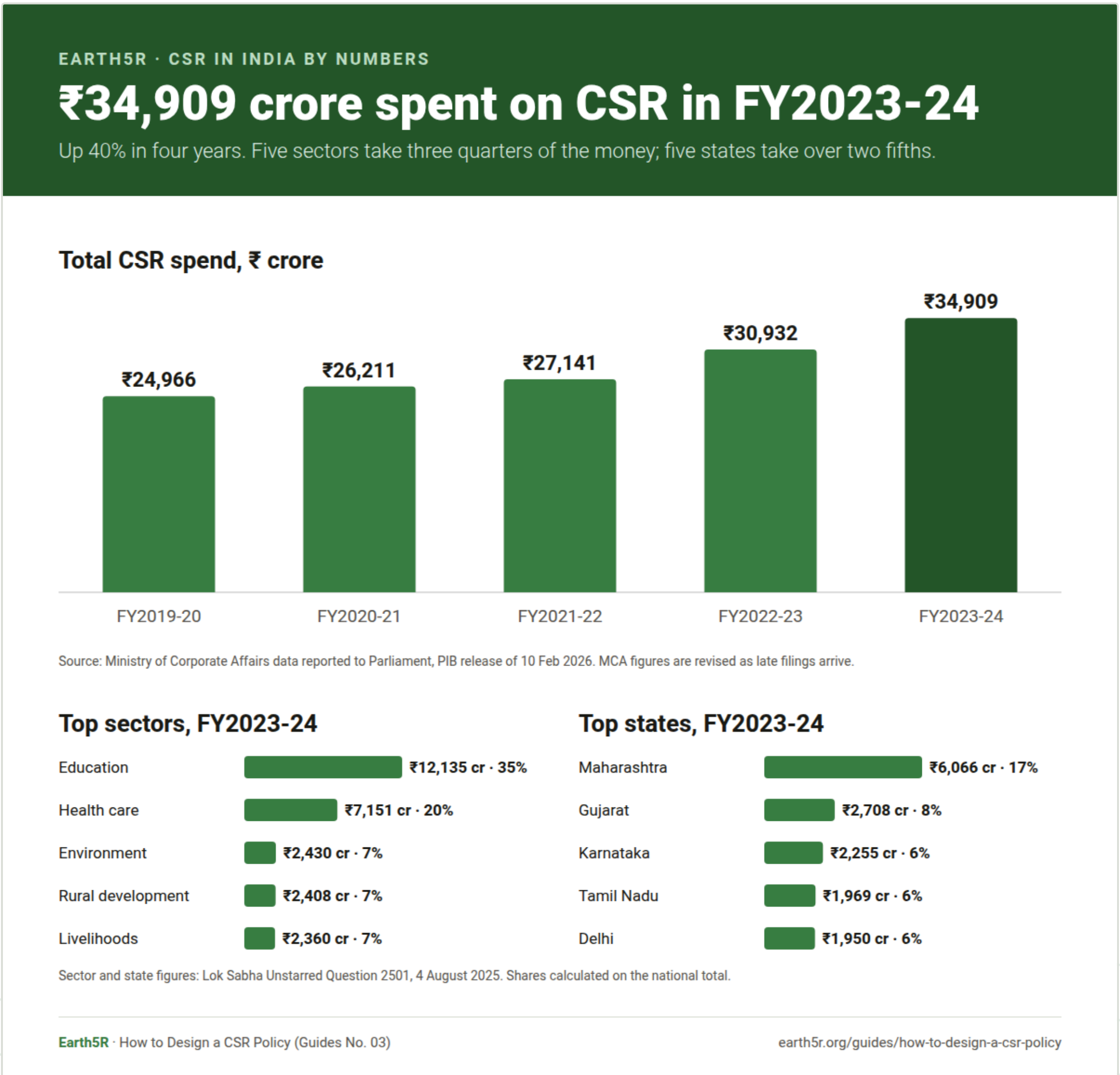
A household survey in a Mumbai settlement. Good CSR starts with understanding the need, before any money moves.

> **The test of a policy.** Give it to a new CSR committee member with two competing proposals. If the policy helps them decide, it is working. If they have to rely on personal judgement, it is not.

CHAPTER 2

CSR in India by numbers

Where the money goes today. Useful context for any committee deciding where its own money should go.



Money follows money. Five states took about 43% of CSR spend in FY2023-24. Aspirational districts received ₹1,402.89 crore in FY2022-23, about 4.5% of the total.

Environment is small. The environmental sustainability sector took about 7% of spend in FY2023-24. For many companies it is also the most material theme.

What it means for your policy. Choosing an under-funded district or theme is not charity. It is where each rupee is most likely to change something.

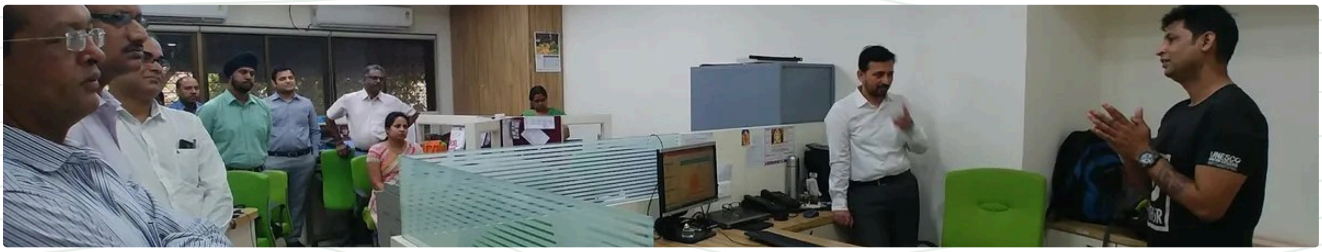
Sources: PIB, 10 February 2026 (national totals, FY2019-20 to FY2023-24); Lok Sabha Unstarred Question 2501, 4 August 2025 (sectors and states, FY2023-24); PIB, 16 December 2024 (aspirational districts). MCA figures are revised as late filings arrive.

CHAPTER 3

The law in one page

Section 135 of the Companies Act, 2013, and the Companies (CSR Policy) Rules, 2014, as amended.

Question	What the law says
Who must comply?	A company that, in the immediately preceding financial year, had a net worth of ₹500 crore or more, or turnover of ₹1,000 crore or more, or net profit of ₹5 crore or more. Foreign companies with an Indian branch or project office are covered on their Indian figures.
How much?	At least 2% of the average net profit of the three immediately preceding financial years, calculated under Section 198. A company that has not completed three years uses the years it has completed.
Where?	The Act asks companies to give preference to the local areas where they operate.
Who decides?	A CSR Committee of the board: three or more directors, including at least one independent director, for listed and unlisted public companies (two directors where an independent director is not required). Private companies need two or more directors. If the obligation is ₹50 lakh or less, no committee is needed and the board performs its functions.
What is the policy?	A statement of the board's approach and direction, taking into account the committee's recommendations, including guiding principles for selecting, implementing and monitoring activities and for the annual action plan (Rule 2(1)(f)).
What counts?	Activities in Schedule VII, done in India, as projects or programmes (see Chapter 11).
What does not?	Activities in the normal course of business; activities outside India (except training of sportspersons representing India or a State); political contributions; activities benefiting only employees; sponsorship for marketing benefit; activities to meet other statutory obligations. Employee volunteering time cannot be valued as CSR spend.



Saurabh Gupta training SIDBI officers on sustainable banking, Mumbai, 2018. Committees make better decisions when members understand the field.

Sources: Companies Act, 2013, Section 135 and Schedule VII; Companies (CSR Policy) Rules, 2014, Rules 2, 3 and 5; MCA General Circular 14/2021 (CSR FAQs).

CHAPTER 4

Rules that shape your policy

Eight rules that your policy should reflect directly, because they decide how projects must be structured, paid for and reported.

Rule	What it means for your policy
Implementing agencies Rule 4	Work directly, or through a Section 8 company, registered trust or society with 12A/80G or 10(23C) registration and a three-year track record in similar work, or one set up by the company or by government. Agencies must hold a CSR Registration Number (Form CSR-1). International organisations may only design, monitor, evaluate or build capacity.
Ongoing projects Rule 2(1)(i)	Multi-year projects of up to three years, excluding the year they start. Plan them as such from day one.
Unspent amounts Section 135(5), (6)	Unspent money on ongoing projects goes to an Unspent CSR Account within 30 days of year end and must be spent within three years. Other unspent amounts go to a Schedule VII fund within six months of year end.
Excess spend Rule 7(3)	Spend above the obligation can be set off against the next three years, with a board resolution. Surplus from CSR activities cannot be counted.
Administrative overheads Rule 7(1)	Capped at 5% of the year's CSR spend. Project design, implementation and monitoring costs are not overheads.
Impact assessment Rule 8(3)	Required if the average CSR obligation over the previous three years is ₹10 crore or more, for projects of ₹1 crore or more completed at least a year earlier, through an independent agency. Its cost can count as CSR up to 2% of the year's spend or ₹50 lakh, whichever is higher.
Capital assets Rule 7(4)	Assets created with CSR funds must be held by a charitable Section 8 company, trust or society with a CSR Registration Number, by the beneficiaries or their collectives, or by a public authority.
Disclosure and penalties Rule 8, 9; Section 135(7)	Annual CSR report in the board's report; policy, committee and approved projects on the website; CFO certification of fund use; Form CSR-2. Failure to transfer unspent amounts attracts a penalty of twice the amount or ₹1 crore, whichever is less, on the company, and on each officer in default one-tenth of that amount or ₹2 lakh, whichever is less.

Sources: Companies Act, 2013, Section 135; Companies (CSR Policy) Rules, 2014, as amended in 2021 and 2022; MCA CSR FAQs, 2021.

CHAPTER 5

What changed recently

05

Three developments a policy drafted before 2025 will not reflect.

1

A revised registration form for implementing agencies (2025).
The Companies (CSR Policy) Amendment Rules, 2025 (G.S.R. 452(E), in force from 14 July 2025) replaced Form CSR-1 with a revised form for registering entities that undertake CSR activities. Ask partners for a current CSR Registration Number, and write that requirement into your policy.

2

CSR through the Social Stock Exchange (2026).
The Companies (CSR Policy) Amendment Rules, 2026 (G.S.R. 415(E), 27 May 2026) added Rule 4A. Companies may now spend on CSR by subscribing to zero coupon zero principal instruments issued by not-for-profit organisations on the Social Stock Exchange. This route is capped at 10% of the year's CSR spend. The issuing organisation must complete the project within three succeeding financial years, and the company is exempt from impact assessment for projects funded this way. If you plan to use this route, say so in the policy.

3

Proposed changes, not yet law.
The Corporate Laws (Amendment) Bill, 2026 was introduced in the Lok Sabha in March 2026 and examined by a Joint Parliamentary Committee. As introduced, it proposes raising the net profit trigger from ₹5 crore to ₹10 crore, extending the time to transfer unspent amounts from 30 to 90 days, and raising the threshold for needing a CSR Committee from ₹50 lakh to ₹1 crore. Until it is passed and notified, the current law applies. Write your policy so that changes in law apply automatically, as Infosys and HCLTech do.

> **A simple safeguard.** Add one line to your policy: "Any amendment to the Act or the Rules shall apply automatically, and this policy shall be read accordingly." Then review the policy every year, not only when the law changes.

Sources: G.S.R. 452(E), 7 July 2025; G.S.R. 415(E), 27 May 2026; PRS Legislative Research bill track, Corporate Laws (Amendment) Bill, 2026. Check the status of the Bill before relying on it.

CHAPTER 6 · CASE STUDY

The Mithi River: a CSR project, start to finish

A packaging company funding the recovery of plastic from a Mumbai river, with the United Nations, a technology partner and the city. October 2020 to November 2024.

€0.6 m
funding from Huhtamäki, with United Nations Technology Innovation Labs

11,100 t
waste removed from the river, 4,440 t of it plastic

10,000
families and 500 businesses trained in the catchment

6,660 t
CO_2e avoided (estimate; no credits issued or claimed)

Why a packaging company funded a river

Huhtamäki, the global packaging company, funded the project as part of its corporate responsibility work. The choice was material: packaging is one of the largest sources of the plastic that ends up in urban rivers. The funding put "packaging sector accountability" into a place where the problem is visible.

Who did what

Partner	Role
Huhtamäki	Corporate funding partner
UN Technology Innovation Labs	Technology validation and innovation framework
RiverRecycle	Recovery technology; pyrolysis route for low-value plastic
Municipal Corporation of Greater Mumbai	Site access; integration with city waste systems
Earth5R	Design, deployment, catchment programme, data; later handover

The solar-powered recovery unit on the Mithi, from above.

What was built

In the water, a solar-powered recovery unit caught floating waste, about 10 tonnes a day, and moved it to the bank for segregation, washing and shredding. High-value plastic went to recycling; low-value plastic went through EU-approved pyrolysis. On the land, households were trained and paid for segregated plastic, and taught to upcycle waste into saleable products.

Source: Earth5R Mithi River case study. UNESCO India featured the project as a Technology for Impact case study.

What the Mithi project teaches a CSR policy

Each design choice on the Mithi maps to a clause a CSR policy should contain.

Design choice on the Mithi	Policy lesson	Where it goes in your policy
A packaging company funded river plastic recovery	Choose focus areas linked to your own footprint. Materiality makes CSR credible and defensible.	Section 3, focus areas
Four partners, each with a distinct role	Name roles, not just recipients. A UN body validated technology; the city granted access; neither was a grant recipient.	Section 5, delivery model
Half the work was in the catchment, not the channel	Fund the source of the problem, not only the visible symptom.	Section 7, project design
Every plastic fraction had a destination	Require an output plan: where every product, material or asset ends up.	Section 7, project design
Residents were paid for segregated plastic	Put value in the hands of the people who do the work.	Section 4, beneficiaries
Drone surveys, waste audits and app logs	Make results checkable, not asserted.	Section 11, monitoring
Avoided emissions reported as estimates; no credits claimed	Set rules on what the company may and may not claim.	Section 11, reporting
A recovery unit and processing equipment	Decide in advance who will hold capital assets. Under an Indian CSR structure, Rule 7(4) limits who can.	Section 10, fund management
Earth5R designed for its own exit; operations continue under delivery partners	A project is proved when it runs without the funder and the builder.	Section 7, exit plan

Catchment training with waste collectors on the Mithi riverside, 2021.

The structural lesson. River work needs four things that rarely sit in one organisation: technology, funding, municipal permission and community presence. Projects stall most often on permission, because site access on an urban river is granted, not bought. A CSR policy that only funds NGOs, and never budgets for building partnerships, will struggle to fund work like this.

CHAPTER 7

Best cases from TERRA

How eight listed companies in the Above Average band of TERRA, Earth5R's ESG intelligence platform, run and report their CSR.

Why these companies

TERRA scores listed Indian companies on what they disclose and what can be checked against data from the ground, including a measure of the gap between narrative and data. All eight companies below sit in its **Above Average** band overall. We then read each company's statutory annual report on CSR, BRSR and impact assessment reports to find what others can copy.

What stood out. The strongest CSR reporters do three things others rarely do: they concentrate on the districts where they operate, they publish independent impact assessments with numbers, and they treat the unspent account and set-off rules as planning tools rather than accidents.

Company	Year	2% obligation (₹ cr)	Spent (₹ cr)	Delivery	Worth copying
Infosys	FY2024-25	539.85	526.26	Infosys Foundation, direct	₹16.15 cr moved to Unspent CSR Account for ongoing projects
Tata Steel	FY2024-25	580.09	584.61	Tata Steel Foundation	Deep focus on operating districts
HCLTech	FY2024-25	281.34*	281.34	HCLFoundation	Independent assessment with SROI
Hindustan Unilever	FY2024-25	250.12	254.02	HUL, Hindustan Unilever Foundation	Community programme at scale, reported by vulnerability
Persistent Systems	FY2025-26	23.77	23.77	Persistent Foundation, NGOs	Cost per beneficiary published
ABB India	CY2025	34.75	36.34	ABB India Foundation, agencies	Impact assessment as a budget line
Ashok Leyland	FY2025-26	48.19†	46.55	Ashok Leyland Foundation	Block selection with state government
Dalmia Bharat	FY2023-24 study		see page 11	Dalmia Bharat Foundation	SROI-based skills assessment by KPMG

* Total obligation including a small surplus. † After setting off ₹18.26 crore of excess spend from FY2024-25 against a 2% amount of ₹66.45 crore. Figures from each company's statutory Annual Report on CSR Activities. Inclusion implies no partnership or endorsement. TERRA bands reflect each company's overall ESG assessment, not CSR alone.

Eight cases, eight lessons

Tata Steel: go deep where you operate.
Its CSR reached 57,70,219 people in FY2024-25, 94% of them from vulnerable and marginalised groups (BRSR). It spent ₹295.63 crore in government-designated aspirational districts, most of it in Jharkhand around its operations. *Policy lesson: name your districts and hold to them.*

HCLTech: assess everything independently.
Completed projects are evaluated against inclusiveness, relevance, effectiveness, convergence and sustainability, with a social return on investment for each, and summaries are annexed to the Directors' Report. Its Samuday programme works across villages in Hardoi (Uttar Pradesh) and Thoothukudi (Tamil Nadu). *Policy lesson: make assessment standard, not exceptional.*

Infosys: use the rules to plan.
In FY2024-25 it spent ₹526.26 crore against an obligation of ₹542.41 crore and transferred ₹16.15 crore to its Unspent CSR Account on 28 April 2025 for ongoing projects, within the 30-day window. *Policy lesson: plan multi-year projects as ongoing projects, so money is protected, not rushed.*

Hindustan Unilever: build one community programme and report it by vulnerability.
Its Prabhat programme reached 12,21,629 beneficiaries, 95% of them from vulnerable and marginalised groups, as reported in its BRSR for FY2024-25. *Policy lesson: a flagship programme around your sites is easier to measure and harder to fake.*

Persistent Systems: publish cost per beneficiary.
It spent its full 2% of INR 237.71 million in FY2025-26 and reports health spending of INR 13,077 per beneficiary. Its watershed work covers 495 acres with 257 lakh litres of storage. Independent assessments were done by Chhaaya Strategic Advisors. *Policy lesson: cost per outcome lets a committee compare proposals fairly.*

ABB India: budget for evidence.
In 2025 it spent ₹36.34 crore against an obligation of ₹34.75 crore, including ₹14.40 lakh on impact assessment. Its assessment of seven projects uses the OECD-DAC evaluation criteria; its education work reaches 198 government schools. *Policy lesson: put assessment in the budget from the start.*

Ashok Leyland: let government help you target.
Its Road to School programme starts with the state education department identifying educationally backward blocks, followed by a situational analysis. It set off ₹18.26 crore of prior excess spend, as Rule 7(3) allows. *Policy lesson: use public data and public partners to choose where to work.*

Dalmia Bharat: measure social return.
KPMG's 2024 assessment of its DIKSHa skilling programme found 84.11% of surveyed beneficiaries placed, and a social return of ₹7.76 for every rupee invested. *Policy lesson: ask what each rupee returns to the community, and publish it.*

Sources: Tata Steel BRSR 2024-25; HCLTech Annual Report 2024-25; Infosys Annexures to the Board's Report 2024-25; HUL BRSR 2024-25 and Annual Report 2024-25; Persistent Annual Report 2026 and impact assessment reports; ABB India Integrated Annual Report 2025 and CSR impact assessment report; Ashok Leyland Annual Report 2025-26; Dalmia Bharat DIKSHa impact assessment (KPMG, 2024). Links on the guide's web page.

CHAPTER 8

Twelve clauses worth copying

08

From the published CSR policies of Infosys, Tata Steel, HCLTech, Hindustan Unilever and Persistent Systems. All five sit in the Above Average band of TERRA, Earth5R's ESG intelligence platform.

1

Require a theory of change for every proposal.
HCLTech's policy asks each proposal for a needs assessment and baseline, a "theory of change", start and end dates, named beneficiaries and milestones.

2

Release money only against verified use.
HCLTech: "Release of CSR funds only against verified utilizations", backed by an MIS, field visits, photo and video monitoring and beneficiary feedback.

3

Invite proposals openly and score them.
HCLTech selects partners through "well-publicized RFPs", scored by an expert panel on "sustainability, scale and impact".

4

Run real due diligence on partners.
HUL checks finances, track record, registrations and governance, and screens for "political connections or dubious affiliations", conflicts of interest and "existing and past litigations".

5

Ask for an exit before you enter.
HUL's project selection criteria include "Availability of an Exit option" and sustainability for long-term impact.

6

Name who owns the assets.
HCLTech states that capital assets are held by HCL Foundation, beneficiaries or a public authority, in line with Rule 7(4). HUL also monitors the "usage of capital assets".

Twelve clauses worth copying

7

Put local communities and vulnerable groups first.
Tata Steel focuses on the states where it operates and on "socially and economically marginalized" groups, including "women, girl children and scheduled castes and tribes".

8

Set indicators for every initiative, and test the big ones independently.
Tata Steel gives each initiative "well-defined Key Performance Indicators" and commissions "independent, third-party assessments" of high-impact projects, feeding the findings back into design.

9

Bring outside expertise into governance.
Tata Steel has a CSR Advisory Council of external experts, and a CEO-chaired steering committee that reviews CSR every quarter.

10

Make volunteering part of the policy.
Tata Steel's policy covers volunteering by employees, their families and the wider ecosystem, and a "two-way communication channel" with stakeholders. Persistent scores partners on "Volunteers available" with them.

11

Check the partner's money, not only its mission.
Persistent's selection criteria include CSR registration, track record, capacity to execute and "Current audited financial position".

12

Let the law update the policy.
Infosys provides that amendments to the law "shall automatically apply", and allows excess spend to be set off "for up to the next three financial years", as the Rules permit.

Sources. HCLTech CSR Policy v1.1 (2021) · HUL CSR Policy, Annexures A and B (amended 2022) · Tata Steel CSR Policy (revised 2021) · Persistent CSR Policy (April 2026) · Infosys CSR Policy (April 2025). Quotes as published by each company. Inclusion implies no partnership or endorsement. TERRA bands reflect each company's overall ESG assessment.

CHAPTER 9

09

Anatomy of a strong CSR policy

Ten sections, most of them a few paragraphs long. Together they answer every question a committee member, partner or auditor will ask.

#	Section	What it should say
1	**Purpose and philosophy**	Why the company does CSR, in its own words, and how it links to the business and its communities.
2	**Focus areas**	Two to four themes, each mapped to a Schedule VII item, with the reason for choosing them.
3	**Geography and beneficiaries**	Local areas around operations first; priority groups such as women, Scheduled Castes and Scheduled Tribes, people with disabilities.
4	**Delivery model**	Own foundation, implementing agencies, collaborations or the Social Stock Exchange route; eligibility including CSR Registration Number.
5	**Partner selection and due diligence**	How proposals are invited, scored and checked.
6	**Project design standards**	Every project needs a need assessment, baseline, outcome indicators, milestones, budget, exit plan and asset owner.
7	**Governance**	Roles of board, CSR committee, management and CFO; the annual action plan process; review frequency.
8	**Fund management**	Release against verified utilisation; ongoing projects and unspent amounts; surplus; set-off; overhead cap.
9	**Monitoring, impact and reporting**	Field verification, impact assessment, disclosures, BRSR alignment, stakeholder feedback.
10	**Review and amendment**	Annual review; changes in law apply automatically.

Keep it short. The strongest policies we reviewed run from 2 to 16 pages. Length matters less than whether each section gives a clear rule someone can apply.

Earth5R meeting a housing society board in Mumbai. Every CSR project also has a local decision-maker whose buy-in the policy should require.

CHAPTER 10

A model CSR policy you can adapt

The core clauses of Earth5R's model policy, abridged. The full editable version is a free Word download (see page 25).

1. Purpose. [Company] believes that [why it does CSR, in its own words]. This Policy sets out its approach under Section 135, Schedule VII and the CSR Rules, including guiding principles for selecting, implementing and monitoring activities and for the Annual Action Plan.

2. Focus areas. The Company will concentrate on [focus area 1, Schedule VII item], [focus area 2, item] and [focus area 3, item], for these reasons: [link to business, local need, capability]. Disaster relief under item (xii) may be taken up when the Committee considers it necessary.

3. Geography and beneficiaries. Preference to local areas around [sites/districts], and to aspirational districts where relevant. Priority beneficiaries: [women, Scheduled Castes, Scheduled Tribes, people with disabilities, informal workers].

4. Delivery model. Directly; through [foundation]; through implementing agencies eligible under Rule 4(1) holding a valid CSR Registration Number; in collaboration with other companies; [optional] through zero coupon zero principal instruments on a Social Stock Exchange within the 10% limit of Rule 4A. International organisations only for design, monitoring, evaluation or capacity building.

5. Selection and due diligence. Proposals invited [openly] and scored on published criteria. Checks on registrations, audited accounts, governance, conflicts of interest, political affiliations, litigation, references and a field visit.

6. Project standards. Every project sets out the need and baseline, theory of change, outcome indicators and targets, beneficiaries, milestones and budget, whether it is an ongoing project, the owner of any capital asset under Rule 7(4), and an exit plan.

Adapt with your company secretary and legal adviser. Not legal advice.

7. Governance. The Board approves the Policy and Annual Action Plan and satisfies itself on fund use. The CSR Committee formulates, recommends and monitors [quarterly]. The CFO certifies utilisation.

8. Annual Action Plan. Recommended each year under Rule 5(2): projects, manner of execution, fund use and schedules, monitoring and reporting, and need and impact assessment. May be altered with reasonable justification.

9. Funds. At least 2% of average net profits of the three preceding years under Section 198. Release against verified utilisation. Unspent amounts on ongoing projects to the Unspent CSR Account within 30 days; others to a Schedule VII fund within six months. Surplus not business profit. Set-off of excess for up to three years. Overheads within 5%.

10. Monitoring and impact. Quarterly reports, field-verified data, company field visits and independent beneficiary feedback. Impact assessment through an independent agency where Rule 8(3) applies; findings used to redesign.

11. Volunteering and stakeholders. Employees encouraged to volunteer [X paid hours a year]; employee time not counted as CSR spend. Communities consulted; a feedback and grievance channel provided.

12. Exclusions. Normal course of business; activities outside India (with the sports exception); political contributions; activities benefiting only employees; marketing sponsorship; other statutory obligations.

13. Disclosure and review. Policy, Committee and projects on the website; annual CSR report; Form CSR-2; BRSR. Reviewed at least annually. Amendments to the Act or Rules apply automatically.

CHAPTER 11

Choosing focus areas

Schedule VII allows a lot. A good policy chooses a little, and chooses it for reasons.

Schedule VII in short

(i)	Hunger, poverty, malnutrition, health care, sanitation, safe drinking water
(ii)	Education, special education, vocational skills, livelihoods
(iii)	Gender equality, women's empowerment, care of orphans and senior citizens, reducing inequalities
(iv)	Environmental sustainability, ecological balance, flora and fauna, animal welfare, agroforestry, conservation of natural resources, soil, air and water
(v)	National heritage, art, culture, public libraries, traditional arts and handicrafts
(vi)	Armed forces and central armed police force veterans, war widows and dependents
(vii)	Rural, nationally recognised, Paralympic and Olympic sports
(viii)	Specified government funds, including PM CARES and PM National Relief Fund
(ix)	Science and technology incubators and research in specified public institutions
(x)	Rural development
(xi)	Slum area development
(xii)	Disaster management, relief, rehabilitation and reconstruction

Four questions for each theme

01 **Is it material to us?**

Does it connect to our operations, supply chain, customers or risks? Water for a beverage company, waste for a packaging company.

02 **Is the need real here?**

Is there evidence of need in the areas where we operate?

03 **Can we add more than money?**

Skills, employees, products or influence that make our rupee go further.

04 **Can we measure it?**

Can we set a baseline and track outcomes, not just activities?

> **An example.** Earth5R's river work combines three items: environmental sustainability (iv), livelihoods for waste pickers (ii) and slum area development (xi). One project, one place, several outcomes.

Trainers and waste collectors on the Mithi riverside, Mumbai, 2021: environment, livelihoods and community in one programme.

CHAPTER 12

Choosing and vetting partners

Most CSR money is spent through someone else. Your policy should say exactly how that someone is chosen.

Eligibility (the legal minimum)

- Section 8 company, registered public trust or registered society
- 12A and 80G, or 10(23C), registration
- At least three years' track record in similar work (unless set up by the company or by government)
- A current CSR Registration Number

Due diligence (what good policies add)

- [ ] Three years of audited accounts and the latest annual report
- [ ] Governance: board, key people, related parties
- [ ] Conflicts of interest and political affiliations
- [ ] Past and pending litigation
- [ ] Field visit to a current project
- [ ] References from other funders and from beneficiaries
- [ ] Capacity: staff, systems, data and safeguarding

A simple scoring grid

Criterion	Weight
Fit with our focus areas and geography	20%
Quality of need assessment and baseline	15%
Theory of change and outcome indicators	20%
Track record and capacity	15%
Monitoring and data plan	15%
Sustainability and exit plan	10%
Cost per outcome	5%

An illustrative grid. Adjust weights to your priorities and publish them with your call for proposals.

How Earth5R works. Earth5R is not an NGO. We design and measure CSR projects and deliver them with partner NGOs already trusted in each community, bringing the data, technology and reporting layer.

CHAPTER 13

From policy to annual action plan

The policy sets direction. The annual action plan, approved by the board each year, turns it into projects and budgets.

What the plan must contain (Rule 5(2))

01 **Approved projects**
The list of CSR projects or programmes, within Schedule VII.

02 **Manner of execution**
Direct, or through which implementing agency.

03 **Fund use and schedule**
How funds will be used, and implementation schedules.

04 **Monitoring and reporting**
The mechanism for tracking and reporting each project.

05 **Need and impact assessment**
Details, where applicable.

A sample project budget, from a published Earth5R CSR project

Earth5R's river cleanup CSR project for Mumbai sets out nine budget components for a one-year programme, totalling ₹1.45 crore. Paying collectors, data and monitoring are budgeted lines.

Component	What it pays for	Budget (₹)
Awareness campaign	Workshops in schools, colleges, settlements	10,00,000
Youth mobilisation	Student ambassadors, cleanup drives, hackathons, training	15,00,000
Collection stations	50 plastic collection points with fill monitoring	20,00,000
Transport and logistics	Regular pickups with route planning and tracking	15,00,000
Paying community collectors	Training and payment by volume and quality	25,00,000
Crusher, baling unit and tools	Processing equipment and safety gear	30,00,000
Tracking and data	Digital platform for recovery metrics and participants	15,00,000
Monitoring and reporting	Monthly audits and impact reports	5,00,000
Reserve fund	Repairs, upgrades and unforeseen costs	10,00,000
Total		**1,45,00,000**

Source: Earth5R river cleanup CSR project, also in Earth5R's River Revival Playbook. Crusher and baling equipment are capital assets: the action plan should name who will hold them under Rule 7(4).

CHAPTER 14

The CSR committee's year

A calendar for a company whose financial year runs April to March. Dates reflect the current law; check them each year.

When	What
January to March	Review the policy. Calculate next year's obligation from audited or estimated profits. Invite and score proposals. Draft the annual action plan.
March or April	Committee recommends, and board approves, the annual action plan.
By 30 April	Transfer any unspent amount on ongoing projects from the year just ended to the Unspent CSR Account (within 30 days of year end).
April to June	Board satisfies itself on last year's fund use; CFO certifies. Finalise the annual CSR report for the board's report. Update the website.
Every quarter	Committee reviews progress against milestones and fund use; field visits by management.
By 30 September	Transfer any other unspent amount from the year just ended to a Schedule VII fund (within six months of year end).
As notified by MCA	File Form CSR-2 for the previous year.
October to December	Mid-year review; revise the plan if needed, with reasonable justification. Commission impact assessments due for projects completed at least a year earlier.

Avoid the March rush. Plan to have at least 70% of the year's spend committed to named projects by the end of the second quarter. What is still unallocated in January is a warning sign.

Earth5R with SIDBI officers after a sustainable banking training, Mumbai, 2018.

CHAPTER 15

Monitoring, impact and reporting

What a committee cannot check, it cannot defend. Build verification into the policy, not into the year-end report.

Three levels of evidence

- **Activity:** what was done. Sessions, saplings, kilograms, visits.
- **Output:** who and what it reached. Beneficiaries by group, households, hectares.
- **Outcome:** what changed. Income, survival rates, water quality, school attendance, measured against a baseline.

Verification that works

- Geotagged, time-stamped photographs and data logged in the field
- Release of funds against verified milestones
- Field visits by the company, not only the partner
- Beneficiary feedback collected independently
- Independent impact assessment for large projects

Where it is reported

- **Board's report:** annual report on CSR in the prescribed format, with impact assessment summaries where applicable.
- **Website:** policy, committee and board-approved projects.
- **Form CSR-2:** filed with MCA.
- **BRSR Principle 8:** leadership indicators cover CSR projects in aspirational districts and the number and share of beneficiaries from vulnerable and marginalised groups.

> **Mind the gap.** Investors and regulators increasingly compare what companies say with what the data shows. TERRA, Earth5R's ESG intelligence platform, measures this narrative-data divergence for listed Indian companies. A CSR report backed by field data keeps that gap small.

Geotagging saplings on the Earth5R app, Mumbai, 2023, so survival can be checked months later.

An indicator bank for common CSR themes

Pick two or three outcome indicators per project, set a baseline before work starts, and report against it every year.

Theme	Output indicators	Outcome indicators
Waste and plastic	Tonnes collected by type; households trained; collection points	Share sent to recycling or composting; waste at hotspots versus baseline; income paid to collectors
Rivers and lakes	Stretch covered; cleanups held; volunteer hours	Hotspot change on fixed-point photos or drone surveys; BOD, COD and DO at fixed points, if in scope
Water	Structures built; storage capacity created (litres)	Groundwater levels; days of water availability; irrigated area
Trees and land	Saplings planted and geotagged; hectares treated	Survival at 12 and 24 months; canopy cover; soil moisture
Education	Schools and students reached; teachers trained	Learning levels versus baseline; attendance; transition to the next stage
Skills and livelihoods	People trained, by gender and group	Share placed or self-employed; change in monthly income; retention after 6 months
Health	People screened or treated; camps held	Cases detected and treated; institutional deliveries; follow-up completion
Women's empowerment	Women trained; self-help groups supported	Women with bank accounts and own income; income paid directly to women
Climate	Solar, biogas or efficient units installed	Estimated avoided emissions, with the factor stated and never presented as credits

Report vulnerability. BRSR Principle 8 asks for the number of CSR beneficiaries and the share from vulnerable and marginalised groups. Collect it from day one, disaggregated.

Emission factors Earth5R uses. Plastic recycled 1.5 t CO_2e per tonne; mixed waste recycled 1.34; food waste composted 2.5. Always "estimated avoided emissions".

CHAPTER 16

Ten common mistakes

What we see most often when companies bring us a CSR policy to review.

1. Copying Schedule VII as the focus. Listing every item is not a strategy. Choose two to four.

2. No geography. The Act asks for preference to local areas. Say which.

3. Selection criteria that only say "impact". Define how impact will be judged and scored.

4. Single-year thinking. Real change takes years. Use ongoing projects of up to three years.

5. Funding the visible part only. Equipment and events get approved; training, maintenance and monitoring get cut. Fund the whole project.

6. No baseline. Without one, no result can be proved.

7. No asset owner. Name who will hold and maintain every asset, in line with Rule 7(4).

8. Counting what does not count. Employee benefits, marketing sponsorships and business-as-usual activities are excluded.

9. Ignoring unspent money timelines. The 30-day and six-month transfer rules carry penalties.

10. A policy nobody reviews. Rules changed in 2021, 2022, 2025 and 2026. Review every year.

Paying a woman by cheque for the paper bags she made, part of Earth5R's financial inclusion programme. Good CSR design puts value in the hands of the people who do the work.

CHAPTER 17

Policy review checklist

Fifteen questions for the CSR committee's annual policy review. Every "no" is a clause to add.

- [ ] Does the policy state why the company does CSR, in its own words?
- [ ] Are there two to four focus areas, each mapped to Schedule VII, with reasons?
- [ ] Does it name the geographies and priority beneficiary groups?
- [ ] Does it describe the delivery model, including any foundation and the Social Stock Exchange route?
- [ ] Does it require partners to hold a current CSR Registration Number and meet Rule 4 eligibility?
- [ ] Does it set out due diligence and how proposals are scored?
- [ ] Must every project have a need assessment, baseline, indicators, milestones and exit plan?
- [ ] Does it name who will own capital assets?
- [ ] Are roles of board, committee, management and CFO clear, including the annual action plan process?
- [ ] Are funds released against verified utilisation?
- [ ] Does it cover ongoing projects, unspent amounts, surplus, set-off and the 5% overhead cap?
- [ ] Does it describe monitoring, impact assessment and how findings change projects?
- [ ] Does it align reporting with the board's report, website, CSR-2 and BRSR?
- [ ] Does it include employee volunteering and stakeholder feedback?
- [ ] Does it say changes in law apply automatically, and set an annual review?

> **Want a second pair of eyes?** Earth5R reviews CSR policies and annual action plans, designs measurable projects, and delivers them with partner NGOs across 144 Indian cities. See Earth5R CSR and ESG projects.

REFERENCE

Glossary of CSR terms in India

Annual Action Plan. The yearly list of CSR projects, execution, fund use, monitoring and assessment, recommended by the CSR Committee and approved by the Board (Rule 5(2)).

Aspirational districts. Districts identified by the government for focused development. BRSR asks for CSR spend in them.

BRSR. Business Responsibility and Sustainability Report, required by SEBI for the top 1,000 listed companies. CSR appears mainly under Principle 8.

Capital asset. An asset created with CSR funds. Rule 7(4) limits who may hold it.

CSR Committee. The board committee that formulates, recommends and monitors CSR. Not required if the obligation is ₹50 lakh or less.

CSR obligation. At least 2% of average net profits of the three preceding financial years, computed under Section 198.

CSR Registration Number. The number an implementing agency receives on registering with MCA through Form CSR-1.

Form CSR-2. The annual CSR report filed with MCA.

Impact assessment. An independent evaluation of a completed project, mandatory in specified cases under Rule 8(3).

Implementing agency. An eligible Section 8 company, registered trust or society, or government or statutory body that carries out CSR on the company's behalf (Rule 4).

Narrative-data divergence. The gap between what a company says about its impact and what its data shows. TERRA measures it for listed companies.

Ongoing project. A multi-year project of up to three years, excluding the year it starts (Rule 2(1)(i)).

Schedule VII. The list of activities that qualify as CSR under the Companies Act.

Set-off. Using excess CSR spend of a year against the obligation of up to three following years (Rule 7(3)).

Social Stock Exchange (SSE). A segment of a stock exchange where registered not-for-profits raise funds, including through zero coupon zero principal instruments that CSR may fund within 10% of spend (Rule 4A).

SROI. Social return on investment: the social value created per rupee spent.

Unspent CSR Account. A special bank account where unspent money on ongoing projects must be moved within 30 days of year end and spent within three years (Section 135(6)).

FREE RESOURCES

Templates, infographics and how to share this guide

Everything below is free to use, adapt and republish on your own website or intranet, with credit and a link to this guide.

Resource	What it is	Download
Model CSR Policy (Word)	A 15-section policy with fill-in brackets, updated for the 2026 Rules	earth5r.org/guides/how-to-design-a-csr-policy
CSR Planning Workbook (Excel)	2% calculator, 5% overhead check, Annual Action Plan, partner scoring, due diligence, calendar	Same page
Infographic: CSR in India by numbers	National spend, top sectors and states	Same page, with embed code
Infographic: the CSR committee's year	A one-page compliance calendar	Same page, with embed code
Infographic: CSR policy checklist	The fifteen tests from Chapter 17	Same page, with embed code

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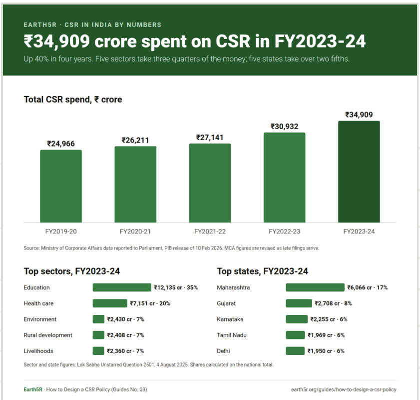

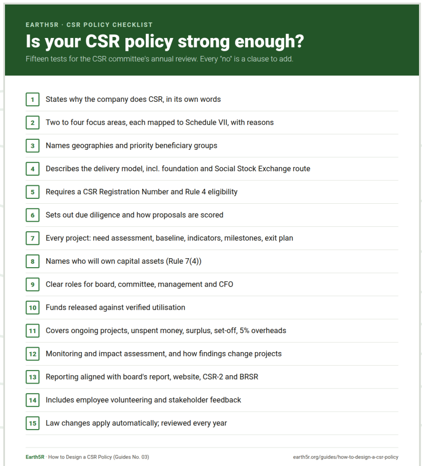

FROM THE FIELD

Where CSR policy meets the ground

School children planting saplings with Earth5R volunteers, 2017.

A waste management workshop with women in a community hall, Mumbai, 2016.

Recycled-plastic benches and desks for a municipal school, Mumbai, 2024.

A community survey, the first step of any need assessment.

College principals and teachers after a sustainability training, Mumbai, 2023.

Saplings grown in upcycled plastic planters, 2017.

More photographs of Earth5R's CSR work with partner NGOs: earth5r.org/csr-ngo-work-gallery. All photographs © Earth5R.

WORK WITH EARTH5R

Turn your CSR policy into results you can prove

Earth5R is a Mumbai-based environmental organisation working across 144 Indian cities and internationally. We help companies design CSR projects, deliver them with partner NGOs, and measure their impact with field data and TERRA, our ESG intelligence platform.

Reviewing your CSR policy or action plan?

Send us your current policy and the themes you are considering. We will point out the gaps, suggest measurable projects in your focus areas, and connect you with the right partner NGOs.

Talk to Earth5R →

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Earth5R CSR and ESG projects
ESG and BRSR reporting services
TERRA ESG intelligence
River Revival Playbook (Guide No. 01)
Employee Volunteering Guide (Guide No. 02)

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