What is Amended?

companies (corporate Social Responsibility Policy) Rules, 2014

How is the amendment introduced?

Through the companies (Corporate Social Responsibility Policy) Amendment Rules, 2026

Date of Notification

Notification is dated 27th May, 2026

CA PREETI AGGARWAL
9653447150
www.capreetiaggarwal.com

Parent section?

Section 135 of the Companies Act, 2013

Before amendment

Section 135 and companies (CSR Policy) Rules, 2014

↓

allowed companies to execute their mandatory CSR obligation through only three traditional channels

DIRECT IMPLEMENTATION	REGISTERED IMPLEMENTING AGENCIES	CONTRIBUTION TO CENTRAL / STATE GOVT FUNDS
↓	eg. NGOs / Trusts / S^n 8 Co ↓	↓
undertaking Social welfare projects directly using internal corporate teams	Transferring funds / donations directly to an eligible S^n 8 Co, registered public trust or registered society	Contributing unspent amounts to statutory funds specified in Sch VII

carrying out Sch VII activities

(eg. PM Cares Fund,
- Clean Ganga Fund,
- PM's National Relief Fund)

PROBLEMS FACED BY COMPANIES

(1) Companies had to independently find, verify and monitor local non-profit organizations (NPOs).

Small to mid-sized corporates often struggled with due diligence, leading to funds concentrated among a few well-known big-brand NGOs.

(2) Heavy compliances

↳ Co's CFO / person in charge of finance had to personally certify that CSR Funds disbursed to an NPO were utilized strictly in the manner approved by the Board

↳ Board had to actively track and monitor multi-year ongoing projects annually.

↳ Large projects required hiring independent agencies to conduct expensive impact assessments.

(3) NPOs relied purely on unstructured grants, donations, or corporate goodwill
This lacked a transparent exchange mechanism to list projects, list financial disclosures or access market liquidity.

CA PREETI AGGARWAL
9653447150
www.capreetiaggarwal.com

Why was the amendment introduced?

SEBI

↓

introduced the Social Stock Exchange (SSE) segment on BSE and NSE

↓

to build a Regulated Capital Mkt infrastructure for Social sector.

BUT

COMPANIES ACT's

↓

Sch VII and CSR Rules

↓

did not recognize exchange-traded social securities

Co wanting to spend CSR → can now find NPOs (as they SEBI regulated) → less Risk / due diligence

∴ Corporate CSR Funds could not flow into Social Stock Exchange instruments

↓

The Amendment acts as a bridge betⁿ SEBI Mkt Regulations and Corporate law under Co's Act, 2013.

CA PREETI AGGARWAL
9653447150
www.capreetiaggarwal.com

HOW THIS AMENDMENT HELPS?

(1) To trade / issue securities on the SSE, NPOs must undergo rigorous initial registration

Social auditing &

continuous disclosure reqᵐ under SEBI ICDR Regulations

↓

Issue of Capital & Disclosure Requirements

→ This strict compliances ensures that now companies need not run costly, due-diligence checks on NPOs

(2) Companies shall now move from unlisted direct donations to exchange-listed ZERO COUPON ZERO PRINCIPAL (ZCZP) instruments.

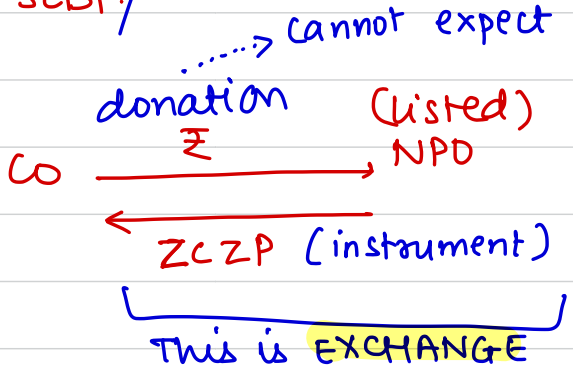
This introduces real-time tracking, standardized reporting, regulatory oversight by SEBI and Stock Exchanges.

CA PREETI AGGARWAL
9653447150
www.capreetiaggarwal.com

WHAT is ZCZP?

Means an instrument / declared as a security / that is issued by an NPO registered with the Social Stock Exchange (SSE) segment / of a recognized stock Exchange / in accordance with regulations made by SEBI /

In simple words -



ZCZP
- Non-interest bearing security
- 0% interest
- zero principal (ie NO return / repayment of capital invested)

Its like a regulated, exchange-traded donation

Doubt ? Can these Zero Coupon Zero Principal (ZCZP) instruments be traded ?

NO! ZCZP instruments cannot be traded in the secondary market

ZCZP is simply a digital receipt for a donation issued in demat form.

While it gets listed on the Social Stock Exchange for transparency, regulatory oversight and CSR tracking you cannot trade it on the exchange like equity shares or commercial bonds.

CA PREETI AGGARWAL
9653447150
www.capreetiaggarwal.com

A Company may carry out its CSR obligations by subscribing to ZCZP instruments.

CA PREETI AGGARWAL
9653447150
www.capreetiaggarwal.com

AMENDMENT

(1) Defⁿ of NPO

My interpretation → An entity will only be recognized as an NPO for this specific route if it satisfies the criteria specified under the SEBI ICDR Framework (eg. Charitable Trusts, Societies, Sⁿ 8 Co recognized on SSE ← Social Stock Exchange)

Defⁿ of ZCZP

(2) CSR implementation through ZCZP instruments and 10% Statutory Cap.

A Co. may carry out its CSR obligations by subscribing to ZCZP instruments.

However, expenditure incurred for such instruments shall not exceed 10% of the total CSR expenditure of that Company for that FY

eg. Annual mandatory CSR spending obligation = ₹1CR for FY 2026-27 u/s 135

max in ZCZP = ₹1CR × 10% = ₹10L

what if Co subscribes ₹15L in ZCZP

only ₹10L shall qualify as valid CSR Exp
Remaining ₹5L shall be disallowed

My interpretation:-

Cap of 10% ensures that at least 90% of CSR obligations is fulfilled via traditional implementation routes (like direct implementation / via implementation agencies)

(3) Exemption from Impact Assessment

A Co. that has subscribed to a ZCZP instrument is exempted from undertaking impact assessment for a project funded by such instrument

Impact Assessment → reqd for Co's with avg CSR obligation of ₹10 CR) more in 3 immediately PFY

Reqd only for projects with an outlay of ₹1CR or more.

Reason → Exempted as SSE mechanism handles social impact reporting and verification.

XYZ Ltd ✓ that is reqd to conduct impact assessment

↓

subscribes ₹8L to a ZCZP instrument of an NPO building water purification unit.

XYZ Ltd ⟷ need NOT engage an independent agency to conduct an impact assessment for this ₹8L spend.

(4)

NPO issuing the ZCZP instrument & raising funds must undertake a project with a duration of NOT more than 3 succeeding FY from the dt of issue

CA PREETI AGGARWAL
9653447150
www.capreetiaggarwal.com

★ Termination upon Project completion:

The duration of ZCZP project is capped at not more than 3 succeeding financial years

Once the project completes / tenure ends, the listing of the instrument is terminated (delisted) on the SSE.

(5) Upon termination of listing of ZCZP instrument on SSE, NPO must

- Trf any unspent amount to any fund specified in Sch VII of the Act
- Submit a statutory compliance Report to SEBI

CA PREETI AGGARWAL
9653447150
www.capreetiaggarwal.com

(6) All provisions of Rule 4 (which governs CSR implementation) apply to ZCZP implementations except sub rule 5 & 6

Sub-rule 5 ← Requires BOD to satisfy itself that funds disbursed are utilized in the manner approved

(+)

CFO to certify to that effect

CFO Certification is NOT reqd for ZCZP subscriptions

sub-rule 6 ⟵ Governs BOD monitoring of on-going projects' and annual timeline adjustments.

This monitoring mechanism is NOT reqd for corporate subscriber as the listing, tracking and execution are governed by SEBI's Social Stock Exchange Regulations.

CA PREETI AGGARWAL
9653447150
www.capreetiaggarwal.com