

CSR takes a hit amid Covid chaos

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Companies have been finding it tough to execute their corporate social responsibility (CSR) projects amid lockdowns.

Some have had to pause project execution. Others have altered plans to account for the pandemic to the exclusion of priorities in previous years.

Those who advise on such matters and key executives in listed companies say there has been a shift from plans such as supporting cancer hospitals to giving all the money on their budget to deal with the pandemic. This is for companies that are able to meet their obligations.

In the present scenario, there is so much of a cash crunch that many companies are in survival mode, according to Gaurav Pingle, Pune-based company secretary.

"Companies are not keen on doing it immediately," he said.

A company secretary advises firms on meeting legal obligations, including CSR.

Viral Thakker, partner, Deloitte India, said the lockdown had come in the way of companies' plans.

"Depending on the area, progress suffered," he said.

Challenges may require tweaking plans on themes such as health, rural development or projects, said a "Social response to Covid-19" report Deloitte released on Friday.

Companies could "... make provisions for necessary technology infrastructure including internet facility and digital devices to enable distance learning," it said.

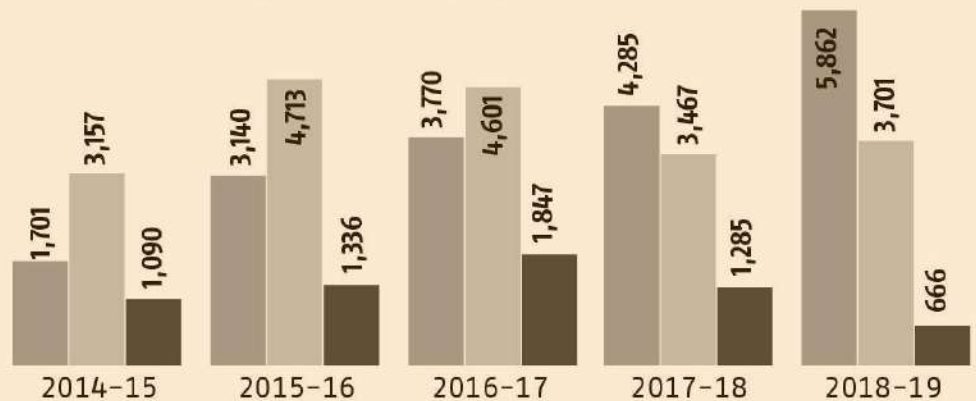
An executive of a south-based company bore out this change in strategy, saying the firm had spent on a Covid-19 project. It had earlier supported victims of natural disasters.

The headwinds towards meeting CSR goals come even as compliance has been improving in recent years. More companies fell short of their mandatory spends than the ones which met or exceeded it in 2014-15, shows the Ministry of Corporate Affairs data. This is shortly after they were required to allocate a proportion of their profits to



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■ Companies spending more than prescribed amounts ■ Companies falling short
■ Companies spending amounts exactly as prescribed



Note: Refers to number of companies across listed and unlisted space
Source: Ministry of Corporate Affairs

such projects. Compliance improved over the years. There were 6,528 companies that met or exceeded their mandatory spends in 2018-19. There were nearly twice as many companies that met or exceeded their obligations for every company that fell short, shows an analysis of the data.

The hit in the current year gains significance in the light of recent regulatory changes. The Companies (Amendment) Act, 2020, passed last month, penalises both the company as well as its officials, though the punitive amount is limited to ₹1 crore.

"... the company shall be liable to a penalty of twice the amount required

to be transferred by the company to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account, as the case may be, or ₹1 crore, whichever is less, and every officer of the company who is in default shall be liable to a penalty of one-tenth of the amount required to be transferred by the company to such Fund specified in Schedule VII, or the Unspent Corporate Social Responsibility Account, as the case may be, or two lakh rupees, whichever is less," it said.

Defaults in spending faced criminal action earlier. This has since been diluted.