

ESG and Mandatory Human Rights Due Diligence (HRDD): Lessons for India from the EU Corporate Sustainability Due Diligence Directive (CSDDD)

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Abstract:

Environmental, Social, and Governance (ESG) norms have emerged as a central pillar of modern corporate responsibility, with human rights due diligence (HRDD) increasingly positioned at their core. The European Union's Corporate Sustainability Due Diligence Directive (CSDDD), adopted in 2024, represents a landmark shift from voluntary soft-law frameworks to binding obligations requiring companies to identify, prevent, mitigate, and remedy adverse human rights and environmental impacts across their value chains. This directive not only reshapes corporate governance in the EU but also influences global supply-chain behaviour, with significant implications for countries like India that are deeply integrated into European markets.

India currently relies on a voluntary ESG ecosystem supported by the Business Responsibility and Sustainability Report (BRSR), the National Guidelines on Responsible Business Conduct (NGRBC), and sector-specific regulations. However, the absence of a mandatory, comprehensive HRDD regime creates gaps in enforcement, accountability, and global competitiveness. As Indian businesses increasingly cater to EU buyers, alignment with mandatory due diligence standards becomes both an economic necessity and a strategic legal priority.

This paper critically analyses the CSDDD as a blueprint for designing an Indian HRDD framework suitable for the country's legal, regulatory, and socio-economic context. It examines how EU-style obligations—such as board-level responsibility, supply-chain mapping, risk-based due diligence, grievance mechanisms, and civil liability—could be adapted to strengthen India's ESG landscape. The study also highlights challenges, including compliance burdens for MSMEs, fragmented labour-law enforcement, and the need for capacity-building. Ultimately, the paper argues that a phased, context-sensitive HRDD model could enhance India's global trade positioning, reduce rights violations, and promote sustainable, accountable business practices.

Keywords: *ESG Compliance, Human Rights Due Diligence, CSDDD, Responsible Business Conduct, Supply-Chain Governance*

1. Introduction: ESG Evolution and the Rise of Mandatory Human Rights Due Diligence (HRDD)

The last two decades have witnessed a profound transformation in how corporations conceptualize their role in society. With globalization expanding complex value chains and increasing societal scrutiny of business practices, the once narrow view of corporate responsibility—focused primarily on profit maximization—has evolved into a more holistic

understanding of environmental and social stewardship. This shift is encapsulated in the rise of Environmental, Social, and Governance (ESG) principles, which seek to embed sustainability considerations into core business strategies rather than treat them as peripheral philanthropic efforts. Central to this evolution has been the emergence of Human Rights Due Diligence (HRDD) as a tool of accountability, particularly as globalization has magnified concerns over labour rights violations, environmental degradation, and exploitation of vulnerable communities (Ruggie, 2011).

HRDD draws its normative foundation from the UN Guiding Principles on Business and Human Rights (UNGPs), endorsed unanimously by the UN Human Rights Council in 2011. The UNGPs outline a three-pillar framework: (a) the State duty to protect human rights, (b) the corporate responsibility to respect, and (c) the need for access to effective remedies (UNHRC, 2011). Although the UNGPs themselves are not legally binding, they have significantly influenced national and regional legal reforms. States increasingly recognize that voluntary commitments, while valuable, often fall short in protecting workers and communities within sprawling global supply chains. Numerous crises have exposed the inadequacy of purely self-regulatory corporate frameworks.

One of the most pivotal events in this regard was the Rana Plaza building collapse in Bangladesh in 2013, which resulted in over 1,100 deaths due to unsafe working conditions in garment factories supplying Western brands (Reinecke & Donaghey, 2015). This tragedy highlighted how opacity in global value chains enables corporations to benefit from cheap labour without establishing rigorous oversight over supplier practices. Similar concerns were reflected in the Marikana mining massacre in South Africa in 2012, where tensions between mine workers and management escalated into lethal violence, implicating multinational corporate actors (Sinwell, 2016). These incidents underscored the urgent need for mandatory HRDD frameworks that hold parent companies accountable for harmful practices within their extended supply chains.

In response to such concerns, several European states enacted HRDD legislation. France led the movement through its *Loi de Vigilance* (2017), mandating vigilance plans for large companies. Germany implemented the Supply Chain Due Diligence Act (2021), imposing risk-based due diligence obligations and administrative sanctions. Norway introduced the Transparency Act (2022), emphasizing supply-chain disclosure. The Netherlands passed legislation targeting child labour in global supply chains. These developments collectively paved the way for the European Union's Corporate Sustainability Due Diligence Directive (CSDDD) (2024)—the most comprehensive regional attempt to formalize HRDD as a mandatory corporate obligation.

The CSDDD represents a regulatory milestone by requiring companies to identify, prevent, and mitigate human rights and environmental harms not only within their operations but throughout their entire value chain. Its extraterritorial reach means that non-EU companies conducting significant business in the EU must also comply. The directive moves HRDD from the realm of voluntary ESG disclosures to enforceable corporate duties backed by administrative sanctions and civil liability (European Commission, 2024).

For India, the rise of mandatory HRDD raises important considerations. India is deeply integrated into global markets: the EU is its second-largest trading partner, and numerous Indian industries—textiles, pharmaceuticals, automotive components, chemicals, information technology, and agribusiness—supply goods and services to European companies. Demand for compliance with EU-aligned due diligence norms will likely intensify among Indian suppliers, making alignment with international standards an economic necessity rather than a mere ethical aspiration (Confederation of Indian Industry, 2023).

India has made significant progress in ESG governance. The National Guidelines on Responsible Business Conduct (NGRBC) articulate expectations for ethical and sustainable business, while the Business Responsibility and Sustainability Report (BRSR) mandated by SEBI for the top 1,000 listed companies—promotes transparency in ESG performance. Labour and environmental legislation provide additional safeguards. However, these frameworks remain largely voluntary or disclosure-based, without imposing explicit HRDD mandates or civil liability for adverse impacts (Ministry of Corporate Affairs, 2019).

India's socio-economic composition—including a large informal workforce, multi-layered supply chains, and a dominant MSME sector—presents unique challenges for HRDD implementation. At the same time, the absence of comprehensive HRDD legislation risks undermining India's global competitiveness and could expose its industries to supply-chain disengagement by European buyers.

Against this backdrop, this paper seeks to examine whether and how India can draw lessons from the CSDDD to adopt a contextualized HRDD framework that balances social protections with economic realities. The next sections outline the architecture of the CSDDD, evaluate India's current regulatory ecosystem, and develop a comparative and forward-looking analysis for designing an Indian HRDD regime grounded in global best practices. Understanding the EU Corporate Sustainability Due Diligence Directive (CSDDD)

The EU Corporate Sustainability Due Diligence Directive (CSDDD) is a transformative legislation designed to embed sustainability considerations into the core functioning of large companies operating in or trading with the European Union. Its purpose is to prevent, mitigate, and remedy adverse human rights and environmental impacts throughout the entire value chain—both upstream and downstream.

2. Understanding the EU Corporate Sustainability Due Diligence Directive (CSDDD)

The Corporate Sustainability Due Diligence Directive (CSDDD), adopted by the European Union (EU) in 2024, represents one of the most ambitious legislative initiatives in global sustainability governance. It transforms the previously voluntary norms of responsible business conduct into binding obligations for companies operating within or doing significant business with the EU. The directive serves as a comprehensive framework requiring corporations to identify, mitigate, prevent, and remediate human rights and environmental harms throughout their operations and supply chains. Its influence extends far beyond European borders due to its extraterritorial scope and the EU's position as a major global market actor.

2.1 Scope and Applicability

The CSDDD applies to both EU and non-EU companies meeting specified thresholds. In the EU, it covers companies with:

- **More than 1,000 employees, and**
- **Net worldwide turnover exceeding EUR 450 million.**

For non-EU companies, the directive applies if they generate turnover of EUR 450 million or more within the EU, regardless of their global presence (European Commission, 2024). Importantly, franchising and licensing models with significant EU turnover also fall within its ambit.

This thresholds-based system creates an extraterritorial regulatory effect. A company headquartered in India but exporting goods worth over EUR 450 million annually to the EU must comply. This heightens responsibility for Indian exporters in labor-intensive and sustainability-sensitive sectors like textiles, leather, agriculture, pharmaceuticals, and IT services.

2.2 Sequential HRDD Obligations Under the Directive

The CSDDD prescribes a structured HRDD system comprising several interconnected duties:

2.2.1 Identification and Assessment of Adverse Impacts

Companies must systematically identify potential and actual adverse impacts on:

- workers' rights,
- child and forced labour,
- occupational health and safety,
- freedom of association,
- environmental degradation,
- climate impacts,
- land and natural resource rights (European Parliament, 2024).

This assessment spans the entire value chain—from raw material extraction to finished goods delivery—establishing accountability even for harms occurring at distant supplier levels.

2.2.2 Preventive and Mitigating Measures

The directive mandates companies to:

- integrate due diligence within corporate policies,
- draft corrective action plans,
- conduct periodic supplier audits,
- engage in contractual enforcement through sustainability clauses, and
- support suppliers with technical capacity-building.

These measures reflect a shift from superficial compliance (“tick-box” reporting) to substantive engagement.

2.2.3 Bringing Actual Harms to an End

If actual harms occur, companies must take:

- remediation steps,
- temporal suspension of business relations, and
- termination of supplier contracts in cases of severe or unaddressed violations.

This requirement threads responsibility through the entire value chain.

2.2.4 Grievance Mechanisms

The directive demands effective, accessible, transparent grievance redress channels that stakeholders, their representatives, civil society, communities—can utilize without fear of retaliation. Grievance mechanisms must be:

- predictable,
- impartial,
- rights-compatible, and
- inclusive of meaningful consultation (OECD, 2018).

2.2.5 Monitoring and Public Reporting

Companies must regularly monitor their due diligence systems and publish annual statements summarizing:

- identified risks,
- preventative actions taken, and
- remediation outcomes.

This aligns with the EU’s emphasis on transparency under directives such as the Non-Financial Reporting Directive (NFRD) and the Corporate Sustainability Reporting Directive (CSRD).

2.3 Director Duties Under the CSDDD

A hallmark feature of the directive is its integration of HRDD into directors’ statutory duties. Directors must:

- oversee the implementation of due diligence,
- link sustainability impacts with business strategy,
- evaluate compliance risks, and
- ensure corporate actions align with climate and environmental commitments (European Parliament, 2024).

This pushes sustainability into the highest decision-making strata of corporate governance.

2.4 Climate Transition Plans

The CSDDD mandates companies to develop climate transition plans in line with the Paris Agreement's 1.5°C target, including:

- emission-reduction pathways,
- sector-based targets,
- adaptation measures, and
- progress disclosures.

This aligns climate accountability with HRDD obligations, reflecting an integrated view of sustainability.

2.5 Enforcement Architecture

The directive establishes a dual enforcement system:

(a) Administrative Oversight

EU Member States appoint supervisory authorities with powers to:

- conduct investigations,
- issue compliance orders,
- impose corrective mandates.

(b) Civil Liability

Victims of harms caused by inadequate due diligence may pursue compensation. Civil remedies significantly strengthen corporate accountability by creating legal incentives for robust HRDD implementation.

2.6 Administrative Penalties

Penalties under the CSDDD include:

- fines based on a percentage of global turnover,
- confiscation of revenues,
- public disclosure of non-compliance (“naming and shaming”),
- mandated corrective action plans.

2.7 Implications for Global Value Chains

The CSDDD's extraterritorial scope reshapes global supply-chain governance. For countries like India:

- exporters must demonstrate compliance through documentation, audits, and supplier traceability;
- EU buyers will increasingly require sustainability certifications;
- non-compliant suppliers risk losing contracts or market access.

Industries operating through multi-tier subcontracting—such as garments, agriculture, electronics, and leather—face heightened scrutiny. Companies will need to support Tier 2 and Tier 3 suppliers to build due diligence capacity.

3. India's ESG and Human Rights Framework: Strengths, Gaps, and Regulatory Landscape

India's ESG architecture is an evolving ecosystem shaped by voluntary guidelines, mandatory disclosures, sector-specific laws, and judicial interventions. Although India possesses extensive labour and environmental legislation, the country lacks a centralized, mandatory HRDD law comparable to the CSDDD. Understanding this landscape is essential for determining how India can adapt global due diligence standards.

3.1 National Guidelines on Responsible Business Conduct (NGRBC)

Issued by the Ministry of Corporate Affairs in 2019, the NGRBC outlines **nine principles** covering:

- ethical governance,
- human rights,
- environmental stewardship,
- worker dignity,
- consumer welfare,
- stakeholder engagement.

Two principles are central to HRDD:

- **Principle 5:** Respect and promote human rights.
- **Principle 6:** Protect and restore the environment (MCA, 2019).

However, the NGRBC are **non-binding**, providing normative direction without legal enforceability.

3.2 Business Responsibility and Sustainability Report (BRSR)

SEBI mandates BRSR reporting for India's **top 1,000 listed companies**, requiring disclosures on:

- human rights policies,
- supply-chain sustainability,
- labour practices,
- emissions and water use,
- grievance mechanisms.

The **BRSR Core**, introduced in 2023, expands assurance requirements and introduces KPIs for supply-chain sustainability (SEBI, 2023). Yet, these disclosures do not impose direct obligations to prevent or remedy harms.

3.3 Labour and Environmental Legislation

India has a wide array of protective laws, including:

Labour laws

- *Factories Act, 1948*
- *Minimum Wages Act, 1948*
- *Child and Adolescent Labour (Prohibition and Regulation) Act, 1986*
- *Industrial Relations Code, 2020*
- *Code on Wages, 2019*

Environmental laws

- *Environment (Protection) Act, 1986*
- *Air (Prevention and Control of Pollution) Act, 1981*
- *Water (Prevention and Control of Pollution) Act, 1974*
- *Forest Rights Act, 2006*
- *Biological Diversity Act, 2002*

Although comprehensive, enforcement is uneven due to administrative constraints.

3.4 Judicial Contributions

Indian courts have proactively enforced environmental and human rights protections through:

- **polluter pays principle** (*Vellore Citizens Welfare Forum v. Union of India*, 1996),
- **right to a clean environment** (*MC Mehta v. Union of India*, 1987),
- **rehabilitation obligations** in industrial disasters (*Union Carbide Corp. v. Union of India*, 1991).

These decisions strengthen the normative foundation for HRDD.

3.5 Key Gaps in India's Current Framework

- No mandatory HRDD legislation.
- Weak traceability in multi-tier supply chains.
- Limited grievance mechanisms for workers and communities.
- High informality in labour markets.
- Insufficient integration of HRDD into board responsibilities.

3.6 Opportunities and Strengths

Despite gaps, India has:

- a strong judicial rights framework;
- growing investor interest in ESG compliance;
- progress in corporate disclosures;
- emerging sustainability finance initiatives;
- increasing adoption of certifications (e.g., SA8000, Fairtrade).

4. Comparative Assessment: Lessons India Can Draw from the CSDDD

The EU Corporate Sustainability Due Diligence Directive (CSDDD) provides a sophisticated legislative blueprint that integrates sustainability, human rights protections, and corporate accountability within a single regulatory architecture. For India, studying the CSDDD offers a valuable opportunity to understand which features of a mandatory HRDD framework may be adapted to domestic conditions and which components require substantial modification. This section undertakes a detailed comparative analysis structured around three broad themes: (a) key structural elements of the CSDDD that India can meaningfully adopt, (b) contextual challenges that necessitate recalibration, and (c) broader strategic lessons for aligning India's ESG vision with global developments.

4.1 Structural Features of the CSDDD That India Can Adapt

4.1.1 Adoption of a Risk-Based Due Diligence Framework

One of the critical strengths of the CSDDD is its **risk-based approach**, which aligns due diligence efforts with the severity, likelihood, and nature of potential harms (European Commission, 2024). Companies are not expected to monitor every supplier uniformly; rather, they are required to prioritize risks that are most salient in terms of impact and probability. This approach is particularly relevant for India due to:

- its vast industrial heterogeneity,
- prevalence of multi-tiered supply networks, and
- concentration of high-risk activities in specific sectors.

Industries such as textiles, apparel, leather, mining, chemicals, construction, agriculture, and waste management frequently exhibit heightened vulnerability to labour exploitation, unsafe working conditions, and environmental degradation. Adopting a risk-based HRDD model enables Indian regulators to allocate oversight capacity strategically and allows businesses to focus compliance resources where risks are most pronounced (Ray & Sinha, 2023).

Furthermore, a risk-prioritised approach mitigates concerns about administrative overload for companies and regulators alike. It provides flexibility and scalability, making the transition more feasible for a developing economy.

4.1.2 Strengthening Supply-Chain Traceability

The CSDDD's emphasis on value-chain traceability and mapping is highly instructive for India. The directive requires companies to identify, monitor, and assess all tiers of their supply chain, including indirect suppliers, subcontractors, and raw material providers.

In India, supply chains are often:

- highly decentralized,
- informal,
- labour-intensive,
- geographically dispersed,
- dependent on subcontracting networks, and
- lacking documentation.

This creates opacity and increases risks of labour violations, child labour, bonded labour, and environmental harms (Mehrotra & Adhikari, 2022). Lessons from the EU suggest that India should invest in:

- digital traceability tools,
- supplier registries,
- blockchain-based audit systems,
- centralized due diligence databases, and
- standardized supplier declarations.

Adopting traceability systems would also benefit Indian exporters, who already face documentation requirements from European buyers under certifications such as Fairtrade, SA8000, GlobalG.A.P., and REACH compliance.

4.1.3 Designing Effective Grievance Mechanisms

The CSDDD mandates **accessible, transparent, and inclusive grievance mechanisms** that allow workers, communities, trade unions, civil society organisations, and other stakeholders to raise concerns safely and confidentially (OECD, 2018). For India, which has:

- a large informal workforce,
- low levels of labour unionization outside certain industries,
- significant barriers to workers' access to remedies, and
- limited social dialogue structures,

A strong grievance architecture could substantially improve rights protections.

Drawing from the CSDDD, India could develop:

- multilingual online grievance portals,
- worker hotlines monitored by independent agencies,

- anonymous whistle-blower systems,
- participatory community grievance committees, and
- third-party ombudspersons for high-risk sectors.

An accessible grievance system is not merely a compliance tool; it also acts as an early warning mechanism, enabling companies to address risks before they evolve into major violations.

4.1.4 Integration of HRDD Into Directors' Duties

The CSDDD introduces explicit obligations for directors to integrate sustainability into their risk oversight and decision-making duties (European Parliament, 2024). Although India's Companies Act (2013) defines director duties broadly, it does not explicitly embed human rights or environmental responsibilities within directors' fiduciary obligations.

Reforms inspired by the CSDDD could incorporate:

- climate and human rights oversight into the duties of the Board,
- mandatory allocation of sustainability responsibilities to board committees,
- ESG risk evaluation as part of enterprise risk management, and
- director training requirements on HRDD.

Such reforms would embed sustainability within the highest levels of corporate governance rather than limit it to compliance departments or CSR wings.

4.1.5 A Statutory Civil Liability Framework

One of the most innovative features of the CSDDD is its **civil liability provision**, which allows victims to seek compensation when corporate due diligence failures contribute to harm. This marks a departure from earlier supply-chain regulations that relied solely on administrative enforcement.

India has several existing liability doctrines—including tort law, public law compensation, and environmental liability—but lacks a dedicated statutory cause of action for HRDD failures (Singh, 2021). A calibrated civil liability framework could:

- hold companies accountable for severe rights violations,
- strengthen incentives for compliance,
- improve victim access to justice, and
- shift due diligence from “paper compliance” to substantive action.

The integration of civil liability would strengthen rights protections and align India with emerging global standards.

4.2 CSDDD Features Requiring Modification for Indian Contexts

While the CSDDD offers valuable lessons, several of its features cannot be directly transplanted into India without adaptation due to unique socio-economic dynamics.

4.2.1 MSME Dominance in India's Economic Structure

More than 110 million Indians are employed in the **MSME sector**, which contributes significantly to India's manufacturing and services (Ministry of MSME, 2022). The vast majority of MSMEs lack:

- formal documentation systems,
- financial resources,
- management capacity, and
- technology access

to comply with extensive due diligence obligations. A one-size-fits-all mandate would disproportionately burden smaller enterprises and risk market exclusion.

India needs a **phased approach**, starting with large businesses and high-risk sectors, while providing incentives and capacity-building tools for MSMEs to gradually comply.

4.2.2 Informal Labour Market Realities

India has one of the world's largest informal labour sectors, with approximately 80–90 per cent of workers employed informally (ILO, 2021). Informality often involves:

- absence of written contracts,
- lack of social security,
- wage theft,
- health and safety vulnerabilities, and
- limited enforcement of labour standards.

CSDDD-style due diligence requires baseline documentation, which may not exist for informal workers. Therefore, India must develop:

- simplified compliance templates for small suppliers,
- state-supported registration schemes,
- incentives for formalising subcontracting relationships.

4.2.3 Enforcement Capacity Constraints

Effective HRDD requires robust enforcement machinery. Many Indian regulatory institutions—labour departments, pollution control boards, district-level monitoring agencies—face:

- staffing shortages,
- training gaps,
- resource constraints, and
- limited coordination.

Importing the CSDDD without strengthening enforcement could lead to superficial reporting without meaningful compliance (Khosla & Bhatia, 2020). Thus, strengthening administrative capacity is essential.

4.2.4 Overlapping Regulatory Jurisdictions

India's ESG landscape involves a wide array of regulators:

- Ministry of Corporate Affairs (MCA),
- Securities and Exchange Board of India (SEBI),
- Ministry of Labour & Employment,
- Ministry of Environment, Forest and Climate Change (MoEFCC),
- State Pollution Control Boards,
- NITI Aayog.

This creates risks of duplication, regulatory fragmentation, and inconsistent enforcement. A cross-ministerial coordination mechanism would be essential for any HRDD law.

4.2.5 Economic Vulnerabilities and Global Competitiveness

While HRDD enhances ethical business conduct, it also imposes costs. For developing economies, stringent due diligence rules may:

- raise compliance costs,
- reduce competitiveness for small suppliers,
- create supply-chain exit risks,
- incentivize relocation of purchasing contracts.

These challenges necessitate government-backed support programmes, subsidies, and collaborative governance models.

4.3 Why India Needs to Learn from the CSDDD

Despite contextual differences, the CSDDD offers critical strategic lessons for India.

4.3.1 Preserving and Enhancing Export Competitiveness

The EU accounts for a significant share of India's exports. As CSDDD implementation gains traction, EU companies will increasingly demand HRDD compliance from suppliers. Indian companies lacking due diligence systems risk:

- supply-chain disengagement,
- loss of contracts,
- reputational damage.

Adapting HRDD is thus essential for sustaining India's export competitiveness (CII, 2023).

4.3.2 Reducing Social and Environmental Harms

HRDD can address pervasive challenges in India's production landscape, including:

- child labour,
- unsafe workplaces,
- land displacement,
- pollution,
- gender discrimination,
- wage exploitation.

Strengthening HRDD contributes to inclusive growth and aligns with India's Sustainable Development Goals (SDGs).

4.3.3 Supporting Judicial Reform and Rights Realisation

Indian courts have consistently expanded the scope of fundamental rights under Articles 14, 19, and 21 of the Constitution. A statutory HRDD framework would:

- provide clear standards,
- reduce case-by-case uncertainty,
- empower courts to offer effective remedies.

4.3.4 Signalling India's Commitment to Global Norms

Adopting an HRDD framework aligned with global standards enhances India's international standing, supports environmental diplomacy, and strengthens cross-border investment relationships.

4.3.5 Driving Corporate Culture Change

Mandatory HRDD would encourage:

- enhanced corporate transparency,
- improved governance culture,
- stakeholder engagement,
- long-term sustainability planning.

This is pivotal for transitioning Indian corporations into globally competitive sustainability leaders.

5. Policy Recommendations and Roadmap for an Indian Mandatory HRDD Regime

Designing a Human Rights and Environmental Due Diligence (HREDD) framework for India requires an approach that is both aspirational and pragmatic. India must align with global standards to maintain trade competitiveness while accounting for its economic structure, institutional limitations, and vast informal labour sector. Drawing on the CSDDD's architecture and India's domestic realities, this section outlines a holistic roadmap structured around legislative pathways, phased implementation, grievance systems, economic incentives, technological tools, enforcement coordination, and inclusivity considerations.

5.1 Legislative Pathways: Structuring an Indian HREDD Framework

5.1.1 Enact a Standalone HREDD Law

A dedicated HREDD Act would provide clarity and coherence by consolidating obligations, rights, enforcement mechanisms, and remedies within a single legislative instrument. This approach aligns with France's *Loi de Vigilance* and the EU's CSDDD.

A standalone Indian law should include:

- BHREDD (Business and Human Rights and Environmental Due Diligence) duties for large enterprises;
- definitions of "value chain," "adverse impact," "remediation," and "stakeholder";
- risk-based due diligence obligations;
- annual reporting and public disclosures;
- civil liability for severe harm caused by failure to undertake due diligence;
- administrative penalties;
- whistle-blower protection;
- a national supervisory authority.

Such a law would fill the current regulatory vacuum and establish enforceable standards across industries.

5.1.2 Amend the Companies Act, 2013

Amendments could embed HRDD into existing corporate governance structures:

- **Section 134:** Mandate inclusion of HRDD disclosures in the Board's Report.
- **Section 166:** Expand directors' fiduciary duties to explicitly include attention to human rights and environmental impacts.
- **Section 177:** Empower Audit Committees to oversee HRDD compliance.
- **Section 135 (CSR):** Introduce a "sustainability integration" requirement for CSR committees.

Amending the Companies Act would mainstream HRDD into corporate governance without creating parallel systems.

5.1.3 Expand SEBI's BRSR Framework: "BRSR-Plus"

SEBI's BRSR can be enhanced through:

- mandatory supply-chain disclosures for large entities;
- assurance-based verification by independent auditors;
- HRDD mapping for high-risk suppliers;
- mandatory climate transition plans;
- standardized reporting templates for intermediaries.

BRSR-Plus could eventually become India's equivalent to the EU's CSRD and CSDDD reporting mechanisms.

5.1.4 Sector-Specific Regulations

High-risk sectors (e.g., mining, apparel, construction, agriculture, chemicals, waste management) may be regulated through industry-specific rules issued by respective ministries. These should include:

- tailored due diligence requirements,
- worker grievance systems,
- environmental audits,
- third-party certifications.

This hybrid approach prevents overburdening low-risk sectors while effectively targeting significant harm areas.

5.2 Phased Implementation Roadmap

A phased model ensures gradual compliance and avoids overwhelming businesses, particularly MSMEs.

Phase I: Large Enterprises and High-Impact Sectors

Mandatory HRDD should initially apply to:

- companies with turnover above INR 1,000 crore;
- top 500 listed companies;
- sectors with documented risks (textiles, mining, construction, chemicals, agribusiness).

Phase I companies should implement:

- supply-chain mapping;
- risk assessments;
- grievance mechanisms;
- climate transition plans.

This controlled rollout builds institutional capacity and refines compliance standards before broader adoption.

Phase II: Key Exporting Sectors and Tier-1 Suppliers

Given India's dependence on global value chains, Phase II should include:

- enterprises exporting to the EU and OECD markets;
- Tier-1 suppliers of Phase I companies;
- enterprises in medium- to high-risk sectors.

This phase strengthens India's competitive position and ensures continuity of export markets such as textiles, leather, automotive components, electronics, and pharmaceuticals.

Phase III: Graduated Inclusion of MSMEs

Integrating MSMEs—about 90% of India's supplier ecosystem—requires:

- simplified due diligence templates;
- digital reporting tools;
- state-sponsored training;
- extended compliance timelines;
- subsidies for environmental improvements;
- cluster-level capacity-building models.

Without such support, mandatory HRDD may inadvertently marginalize MSMEs from supply chains.

5.3 Strengthening Grievance and Remedy Systems

Effective grievance mechanisms are essential for meaningful HRDD implementation.

5.3.1 National HRDD Ombudsperson

India could establish a **National HREDD Ombudsperson** similar to OECD National Contact Points. The ombudsperson would:

- mediate disputes;
- investigate complaints;
- coordinate with state-level bodies;
- publish findings.

This provides victims with a more accessible remedy mechanism than courts, which are overburdened.

5.3.2 Multi-Stakeholder Grievance Committees

For high-risk sectors, grievance committees should include:

- industry bodies,
- worker representatives,
- civil society organisations,
- local authorities.

This participatory model ensures legitimacy and enhances trust.

5.3.3 Worker-Centric Mechanisms

Several worker-focused tools can be adopted:

- toll-free hotline for rights violations;
- anonymous reporting systems;
- mobile-based platforms in vernacular languages;
- grievance uptake guarantees from employers.

Technology-enabled systems support early detection and response.

5.3.4 Community-Based Monitoring for Environmental Projects

Communities affected by mining, infrastructure, and industrial activities should play an active role in monitoring environmental compliance through:

- environmental watch committees;
- public hearings;
- access to project-level environmental impact assessments;
- periodic disclosure of monitoring data.

Such practices democratize environmental governance.

5.4 Economic Incentives and Institutional Support

A mandatory HRDD regime must be buttressed by economic and institutional incentives that reduce costs and promote voluntary alignment.

5.4.1 Fiscal Incentives

The government may introduce:

- tax rebates for companies meeting HRDD KPIs;
- subsidies for environmental technologies (waste management, clean energy, water treatment);
- concessional loans for sustainability upgrades;
- priority access to credit for ESG-compliant MSMEs.

These incentives ease financial burdens and encourage proactive compliance.

5.4.2 Preferential Treatment in Public Procurement

Public procurement accounts for nearly 29% of India's GDP. India could introduce:

- sustainability-linked procurement criteria;
- mandatory HRDD declarations;
- supplier sustainability scoring.

This incentivises companies across sectors to internalise due diligence.

5.4.3 Cluster-Level Support for MSMEs

To accommodate MSMEs, the government could establish:

- sustainability resource centres;
- due diligence helpdesks;
- inter-MSME cooperative compliance models;
- state-level training and certification hubs.

These reduce the burden of individual compliance.

5.5 Leveraging Technology for Effective HRDD

Technology has a transformative role in scaling HRDD across India's vast supply chain ecosystem.

5.5.1 Digital Traceability Systems

Blockchain, RFID tracking, and IoT sensors can enhance:

- product traceability,
- energy audit tracking,
- verification of raw materials,
- waste disposal monitoring.

Digital logs reduce fraud and strengthen audit integrity.

5.5.2 AI-Powered Risk Mapping

Artificial intelligence can:

- identify sectoral risk hotspots,
- detect patterns of labour exploitation,
- classify environmental risk zones,
- predict climate vulnerabilities.

AI-driven analytics can streamline risk assessments.

5.5.3 Unified HRDD Reporting Portal

A centralized platform may facilitate:

- filing HRDD reports,
- monitoring compliance,
- accessing guidance,
- public transparency dashboards.

This mirrors global best practices under the EU's CSRD.

5.6 Enhancing Coordination Among Regulatory Authorities

India should establish an **Inter-Ministerial Council on Business and Human Rights**, comprising:

- Ministry of Corporate Affairs,
- SEBI,
- NITI Aayog,
- Ministry of Labour & Employment,
- MoEFCC,
- Ministry of MSME.

This body would harmonize HRDD standards, prevent duplication, and ensure consistent enforcement across jurisdictions.

5.7 Ensuring Inclusivity and Fairness

An inclusive HRDD framework must protect vulnerable populations and address structural inequalities.

5.7.1 Indigenous and Forest-Dependent Communities

Large infrastructure and mining projects often affect indigenous groups. India should adopt **Free, Prior, and Informed Consent (FPIC)** procedures consistent with international law, ensuring:

- participatory environmental decisions,
- land rights security,
- culturally sensitive engagement.

5.7.2 Gender-Sensitive HRDD

HRDD should incorporate gender-specific risk assessments, addressing:

- wage discrimination,
- workplace harassment,
- safety concerns,
- disproportionate informal labour burdens affecting women.

5.7.3 Climate-Justice Considerations

Climate risks unevenly affect vulnerable regions. HRDD must evaluate:

- heat stress impacts on workers,
- flood/drought impacts on agriculture value chains,
- air pollution risks for communities near industrial sites.

Embedding climate justice aligns HRDD with India's commitments under the Paris Agreement.

Final Reflection

The global shift toward mandatory HRDD reflects a deepening recognition that corporate conduct cannot be divorced from human rights and environmental obligations. The CSDDD stands at the forefront of this evolution, offering a sophisticated model that redefines the responsibilities of businesses in a globalized world. Its comprehensive design—a blend of risk-based due diligence, director-level accountability, supply-chain transparency, robust grievance systems, and civil liability—reshapes the contours of sustainable corporate governance.

For India, the movement toward HRDD is not merely a regulatory trend; it is a developmental imperative. India's integration into global value chains, its expanding export markets, and deepening ties with the EU make compliance with international sustainability norms indispensable. Yet, India's socio-economic landscape—characterized by its vast informal workforce, MSME-dominated supply chains, and enforcement constraints—requires a uniquely contextualized approach.

The comparative assessment in this paper reveals that while India cannot replicate the CSDDD wholesale, it can adapt several of its essential elements. A risk-based HRDD model, strengthened grievance mechanisms, traceability systems, and director accountability offer strategic pathways for enhancing corporate responsibility. These measures, combined with institutional support and technological innovation, can significantly improve labour outcomes, environmental protection, and governance quality.

Equally important is the recognition that HRDD is as much about corporate culture as it is about regulation. It encourages businesses to view sustainability not as a compliance burden but as a core element of long-term value creation. For corporate India, this shift represents an opportunity to elevate global competitiveness, attract responsible investment, and build trust with domestic communities and international partners.

India's path toward a mandatory HRDD regime will undoubtedly be complex, requiring legislative reform, administrative investment, and stakeholder collaboration. But the potential dividends—in terms of enhanced rights protections, sustainable growth, and improved global standing—make it not only necessary but urgent.

As India stands at the intersection of economic ambition and sustainability imperatives, adopting a nuanced yet robust HRDD framework could serve as a defining step toward creating a more ethical, resilient, and equitable economic future—one that aligns the aspirations of businesses with the rights and dignity of people and the health of the environment.

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