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# HUMAN RIGHTS DUE DILIGENCE IN CORPORATE ESG (ENVIRONMENTAL, SOCIAL, AND GOVERNANCE) PRACTICES A COMPREHENSIVE ANALYSIS

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## ABSTRACT

*ESG due diligence has rapidly become a crucial aspect of investment choices, corporate finance, and company strategy. ESG's impact on the operational procedures of several firms is becoming more evident. Advancements in domestic and global laws will further enhance this. This paper examines the process of "human rights due diligence" (HRDD) adopted within corporate ESG considerations in India. HRDD requires businesses to proactively assess, prevent, mitigate and account for potential negative impacts on fundamental human rights linked to their operations and business relationships. Using the recent mandatory "Business Responsibility and Sustainability Report" (BRSR) framework as an anchor, the research maps the maturity of HRDD processes across listed Indian companies in high ESG risk sectors against reporting metrics around governance, policies, grievances, assessments, integrations and actions. Based on analysis of disclosures from sample companies, findings reveal moderate commitment reflected in formal policy statements but lack robust integration within due diligence processes for systematic identification and prevention of human rights risks. Gaps exist in undertaking continuous impact assessments, tracking the effectiveness of actions and providing transparency around monitoring systems, remediation processes and supply chain oversight. While Indian regulations now explicitly embed expectations to respect human rights within ESG reporting, findings indicate that the majority of companies have not internalized responsibilities sufficiently. They fail to demonstrate substantive movement beyond basic policy commitments. Recommendations provide actionable guidance focused on embedded HRDD responsibilities as*

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*integral to sustainable, accountable and socially responsible corporate conduct.*

**Keywords:** Human Rights, Due Diligence, BRSR, ESG, Corporate Sustainability.

## I. INTRODUCTION

ESG considerations have become integral for responsible and sustainable corporate practices. With increasing societal expectations and regulatory requirements, companies need to demonstrate commitment and action across a range of ESG issues including climate change, diversity, human rights, and ethical conduct. A robust approach to ESG helps firms manage risks, meet duties of care, strengthen reputation, and maintain legal licenses to operate over the long term.

“Human Rights Due Diligence” (HRDD) specifically examines how business activities might impact or infringe upon the fundamental human rights of potentially affected stakeholders. It involves ongoing processes to identify, prevent, mitigate and account for adverse human rights impacts linked to operations, products or services through business relationships. Effective HRDD enables remediation where appropriate. It aligns with the UN Guiding Principles on Business and Human Rights and OECD guidelines outlining corporate responsibility to respect rights.

The recent SEBI “Business Responsibility and Sustainability Reporting” (BRSR) framework in India makes HRDD disclosure mandatory for the top 1000 listed companies. The 'social' aspect within BRSR provides clear guidance for firms to demonstrate their assessment and integration of human rights commitments in governance, policies, procurement, grievance mechanisms and due diligence processes across value chains. Reporting aims to make firms more transparent and accountable on responsibilities toward rights holders. This research paper examines exactly how the process of human rights due diligence manifests within the wider context of ESG and BRSR reporting by studying examples from Indian corporations across high-risk sectors.<sup>2</sup>

The paper outlines the background and business case for human rights due diligence as part of the social factors within broader ESG considerations faced by Indian firms today. It explains the concept of HRDD, global expectations as well as domestic regulatory drivers that

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<sup>2</sup> Arora N, “BRSR 2022: India’s Ideal Intersection for Business, Human Rights and Sustainability?” (IRCCL, September 14, 2023) <<https://www.irccl.in/post/brsr-2022-india-s-ideal-intersection-for-business-human-rights-and-sustainability>> accessed February 21, 2024.

collectively put human rights in focus for responsible and accountable corporate conduct in India. The paper then explains the objectives, research questions and methodology that guides an in-depth analysis of current HRDD processes adopted by select Indian companies mapped against the BRSR framework. Based on the findings, it concludes the maturity and commitment displayed towards embedding respect for human rights within ESG management approaches. Recommendations are provided for firms struggling to meaningfully demonstrate actions to meet rising societal expectations around managing human rights as part of sustainable business practices aligned with ESG priorities.

## II. ESG AND HUMAN RIGHTS NEXUS

The COVID-19 epidemic exacerbated preexisting inequalities and compelled companies to reconsider human resources in relation to global value chains; hence, the ESG movement is not surprising. Child labour, forced labour, and dangerous working conditions are human rights violations that happen in supply chains; nevertheless, much of the talk about ESG has focused on the “diversity, equality, and inclusion” (DEI) part of the social index.

Having said that, the ESG components are interdependent. For example, social criteria may overlap with environmental criteria and governance when companies want to adhere to environmental regulations while also caring about sustainability. Carbon emissions, resource use, and waste management are all examples of environmental aspects of ESG that have a direct impact on people's health and happiness. In vulnerable populations located close to industrial areas, unsustainable practices pose a particular threat to public health. Additionally, human rights protection is aided by governance features including open governance systems and ethical corporate practices. Preventing human rights violations relies heavily on holding individuals and organisations accountable and making sure they follow the rules.

Slavery, corporate security, diversity, employee relations, supply chain sustainability, customer relations, and personal data protection are some of the topics that fall under the purview of 'S' within the ESG matrix. These topics help to further understand the correlation between ESG and human rights.

The 'S' in ESG, on the other hand, refers to a wide variety of human rights. To name a few examples, it encompasses the rights to life, liberty, and security enshrined in the *“Universal Declaration of Human Rights (UDHR) of 1948, as well as the freedoms from discrimination, enslavement, torture, and forced labour. Convention on Civil and Political Rights (1966) and the International Covenant on Economic, Social, and Cultural Rights (1966) are also part*

*of human rights (1966).*” Also pertinent are UN treaties prohibiting discrimination against women (Article 10), the rights of children (Article 11), and the rights of migratory workers (Article 10).<sup>3</sup>

### III. THE SOCIAL FACTOR IN ESG

Human rights, diversity, corporate security, modern slavery, employee relations, sustainability of the supply chain, customer relations, personal data protection, and many more topics are included by the 'S' in ESG.

By "social," we mean company policies on things like anti-discrimination, privacy, third-party risk, whistleblowing, CSR, customer relations, product safety, and due diligence and compliance. The word "social" is an integral aspect of the term "sustainability" when seen through the lens of European law. Limiting this idea to only the "E" in "environmental" or "ecological" is inadequate. Since environmental factors, such as climate change, have the potential to exacerbate preexisting inequities, the European Commission argues that social and environmental concerns are often interdependent. The preamble of the Regulation on sustainability disclosure in the financial services sector<sup>4</sup> states that respect for human rights is among the 'sustainability factors', which also include social and employment issues, among others. This regulation is expected to be in force in March 2021.

### IV. UNITED NATIONS GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

When it comes to human rights, multinational corporations, and other commercial activities, the “United Nations Guiding Principles on Business and Human Rights” (UNGPs) is a collection of 31 principles that apply the "Protect, Respect, and Remedy" framework that the United Nations has established. The Guiding Principles, which were written by John Ruggie, who was the “Special Representative of the Secretary-General” (SRSG), were the first global standard for reducing the likelihood of adverse consequences on human rights that are related to the activities of corporations. They continue to be the framework that is internationally acknowledged for raising the bar on both the standards and practices that are associated with this field. In a unanimous decision, the United Nations Human Rights Council gave its approval

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<sup>3</sup> “Managing Risk and Building Resilience with Human Rights Due Diligence” (KPMG, March 4, 2021) <<https://kpmg.com/xx/en/home/insights/2021/03/building-resilience-with-human-rights-due-diligence.html>> accessed February 21, 2024

<sup>4</sup> 'SFDR', Regulation (EU) No 2019/2088, OJEU L317.

to the Guiding Principles for Business and Human Rights on June 16, 2011. These principles were the first framework to receive UN support for corporate human rights responsibility.<sup>5</sup>

The UNGPs encompass three pillars outlining how states and businesses should implement the framework:

- The state's duty to protect human rights
- The corporate responsibility to respect human rights
- Access to remedy for victims of business-related abuses

States, civil society organisations, and even the commercial sector have all shown their support for the UNGPs, further solidifying its position as the primary worldwide framework for human rights and business. Since Ruggie thought up and oversaw the process of consulting on and implementing the UNGP, they are colloquially referred to as the "Ruggie Principles" or the "Ruggie Framework" informally.<sup>6</sup>

### **State duty to protect human rights**

As stated in the first pillar of the Guiding Principles, the state must prevent, investigate, and punish violations of human rights via legislation, policies, and enforcement. This tenet rests on the Universal Declaration of Human Rights from 1948, which rests on the preexisting duties of nations under international human rights law.

### **Issues in Conflict-affected areas**

Supporting businesses' respect for human rights in conflict-affected countries has been a hotly debated topic under guiding principle 7 of the first pillar. The definition of "conflict-affected areas" seems to be the primary problem with this idea. To show that they intended to broaden the principles' reach beyond what is defined as an armed conflict under international humanitarian law, the SRSG used this word. Principle 7's guidance-based character and the UNGP's use of flexible definition limits are important factors to examine when determining its

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<sup>5</sup> "Human Rights Due Diligence in the Modern Era | Deloitte Global" (Deloitte, March 28, 2023) <<https://www.deloitte.com/na/en/services/risk-advisory/blogs/human-rights-due-diligence-in-the-modern-era.html>> accessed February 21, 2024.

<sup>6</sup> Ruggie, John "Life in the Global Public Domain: Response to Commentaries on the UN Guiding Principles and the Proposed Treaty on Business and Human Rights". Business and Human Rights Resource Centre. (25 January 2015).



applicability. The problem with interpreting principle 7 is that it is not clear what kinds of conflicts should not be considered.<sup>7</sup>

The connection between "conflict-affected areas" and "gross abuses" is another murky topic; this affects how principle 7 applies to major infractions in war zones, where home nations must intervene to influence businesses doing business there. Areas devoid of war, like authoritarian states and dictatorships, also have gross human rights breaches. Here, the issue is whether or whether Principle 7 covers severe violations in places unaffected by war. A related question is whether principle 7 applies equally in cases of conflict-related egregious violations in democratic, authoritarian, and repressive states, or if the applicability of principle 7 is conditional on the State losing control of its territory.

### **Corporate responsibility to respect**

Companies need to be careful not to violate anyone's rights and to fix any problems that may arise. The United Nations General Principles on Business and Human Rights state that corporations may influence almost every globally recognised right. Consequently, the public and commercial sectors must each recognise their role in preserving human rights. Companies are encouraged by the UNGP to do a Human Rights Impact Assessment as part of their due diligence process. This allows them to evaluate both the existing and prospective implications of human rights.<sup>8</sup>

### **Access to remedy if these rights are not respected**

Corporate responsibility to avoid and rectify any violation of rights to which they contribute is addressed in the third pillar, which also covers the state's duty to offer redress via legislative, administrative, and judicial measures. Maintaining the state's obligation to safeguard and the business responsibility to respect requires robust grievance procedures. Legitimate, accessible, predictable, fair, and transparent non-judicial mechanisms whether state-based or independent are required under the UNGPs. In a similar vein, company-level processes should not function as arbiters of their conduct but rather as platforms for discussion and cooperation.<sup>9</sup>

### **Issues with access to home-state remedies**

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<sup>7</sup> The Kenan Institute for Ethics, "The U.N. Guiding Principles on Business and Human Rights: Analysis and Implementation", (January 2012).

<sup>8</sup> Mares, Radu "Corporate and State Responsibilities in Conflict-Affected Areas". *Nordic Journal of International Law*. 83 (3): 293–346. doi:10.1163/15718107-08303004. (2014).

<sup>9</sup> John Ruggie, "United Nations Guiding Principles on Business and Human Rights", (March 21, 2011).

The difficulty of delivering adequate remedies to victims is brought up by the third pillar of the Guiding Principles. This is especially true when it comes to victims of multinational firms that have operations in more than one state and who seek judicial recourse. It is more beneficial for the Guiding Principles to highlight deficient access to legal recourse than to rectify it, as Ruggie points out.<sup>10</sup> He makes the point that the guiding principles don't do enough to guarantee that states implement their recommendations to address challenges.

The Guiding Principles disregarded the fact that corporations have access to more resources and more information than victims of corporate exploitation. Home states "are permitted" to implement steps assuring access to remedies, according to the Commentary to Guiding Principle 2, which is another matter. While victims of abuse by multinational firms often encounter overwhelming barriers to justice in the host state and have nowhere else to turn for assistance, this phrase has come under heavy criticism for being meek and unambiguous. When it comes to helping home, states put safeguards in place to make sure their companies don't violate human rights overseas, the Guiding Principles fall short. They don't go into enough detail about "governance gaps" or how to overcome substantive and procedural obstacles to remedies at the state level. The over-reliance on voluntary and non-judicial processes, critics say, does not provide victims with enough protection against human rights violations perpetrated by businesses. It is believed that the Guiding Principles need to have stipulated thorough remedies that are enforceable under the law and in line with the human rights responsibilities of governments and companies in both the home and host nations. To provide long-term access to civil court remedies for everyone, effective local capacity is preferable.<sup>11</sup>

## V. HUMAN RIGHTS AS PART OF "SOCIAL" IN ESG DUE DILIGENCE

When it comes to human rights, the 'S' in ESG covers a lot of ground. It encompasses, for instance, the thirty-one human rights enumerated in the Universal Declaration of Human Rights, which were promulgated in 1948. These rights include, among other things, the right to exist, freedom, and security; the right to be equal before the law; and the prohibition of slavery, torture, forced labour, discrimination, and the like. Furthermore, human rights include the provisions outlined in the *"International Covenant on Economic, Social, and Cultural Rights*

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<sup>10</sup> Ruggie, John "Life in the Global Public Domain: Response to Commentaries on the UN Guiding Principles and the Proposed Treaty on Business and Human Rights". Business and Human Rights Resource Centre. (25 January 2015).

<sup>11</sup> Ruggie, "Life in the Global Public Domain: Response to Commentaries on the UN Guiding Principles and the Proposed Treaty on Business and Human Rights". Business and Human Rights Resource Centre. John (25 January 2015).

*(1966) and the Convention on Civil and Political Rights (1966)*". Last but not least, nine treaties adopted by the United Nations are significant; these treaties address issues such as migrant workers' rights, the elimination of gender discrimination, and children's rights.<sup>12</sup>

The "UN Guiding Principles on Business and Human Rights" (UNGPs; 2011) are the foremost authority on the topic of upholding human rights in corporate operations. They address the duty of governments to safeguard human rights with 10 principles and the responsibilities of corporations with fourteen principles. There are also some sector-specific recommendations, as well as recommendations from the OECD and the "International Labour Organisation" (ILO). According to the OECD Guidelines for "Multinational Enterprises" (MNE), due diligence is a continuous procedure that aims to proactively and methodically identify risks that might have detrimental effects on corporate social responsibility. To avoid any harm to the company's reputation, finances, or legal standing, due diligence involves more than just conducting an initial inquiry; it also involves keeping tabs on the company's commercial contacts.

## **VI. BRSR 2022: INDIA'S IDEAL INTERSECTION FOR BUSINESS, HUMAN RIGHTS AND SUSTAINABILITY**

SEBI, which stands for the Securities and Exchange Board of India, has developed the "Business Responsibility and Sustainability Report 2022" (BRSR) as a reaction to the increasing demand for ESG reports all over the globe. The "National Guidelines on Responsible Business Conduct" (NGRBC) were produced in India in accordance with the "Sustainable Development Goals" (SDGs), which take into account human rights and sustainability. These guidelines serve as the foundation for the ESG criteria. In principle, frameworks like BRSR have the potential to help companies find a middle ground between economic growth and sustainable development. This is accomplished by requiring firms to take into consideration the positive and negative effects that their activities have on environmental, social, and governance matters. The junction of human rights, commerce, and sustainability may become more harmonious as a result of this scenario.<sup>13</sup>

### **Foundations of BRSR and What It Deems Material**

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<sup>12</sup> Blitt, Robert C. "Beyond Ruggie's Guiding Principles on Business and Human Rights: Charting an Embrasive approach to corporate human rights compliance". *Texas International Law Journal*. 48. (2012).

<sup>13</sup> Hendrati, Ignatia Martha, Begench Soyunov, Riski Dwi Prameswari, Suyanto, Rusdiyanto, and Dian Anita Nuswantara. "The role of moderation activities the influence of the audit committee and the board of directors on the planning of the sustainability report." *Cogent Business & Management* 10, no. 1 (2023): 2156140.



The BRSR is derived from the NGBRC, which is built upon the SDGs. The SDGs include human rights and sustainability issues into 17 Goals, including economic, social, and governance aspects.<sup>14</sup>

The BRSR incorporates human rights and sustainability by aligning with the SDGs, although this assessment overlooks the flaws within the SDGs. Some opponents contend that the SDGs were created without enough involvement and contribution from civil society, especially from marginalised and disadvantaged areas. There are worries that the aims may not sufficiently meet the needs of these communities.

The SDGs were created by influential, developed Western nations and may not adequately address the specific local challenges and circumstances in India that contribute to human rights and sustainability problems, as well as the required solutions to address them. The BRSR is commended for comparing its performance to global ESG standards as the “Global Reporting Initiative” and the “Sustainability Accounting Standards Board.” The criticism of the SDGs might also apply to the dependence on other international reporting standards in developing the BRSR. Using foreign frameworks as the foundation of the BRSR may not be the most suitable approach for integrating business practices with human rights and sustainability in India. The BRSR aims to address the shortcomings in its essential principles by using the proprietary ESG model created by “Stakeholder Empowerment Services” (SES), in India, whether intentionally or unintentionally. It is a locally tailored model that considers relevant aspects of the reporting criteria. The requirements of the SES ESG model are optional and may not be effective until followed.<sup>15</sup>

The suitability of BRSR as a junction of business, human rights, and sustainability may be assessed by examining what the framework deems 'material'. Materiality is a notion in investing that helps identify which elements might impact an investor's choice to invest in a company's shares. The BRSR is a consultative technique that includes interacting with and integrating comments from external stakeholder groups. By doing this, it assists corporations in identifying and dealing with any human rights and environmental issues linked to their activities. Therefore,

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<sup>14</sup> Singal N, “How Sebi Stringent Sustainability Reporting Mandate Is Proving to Be a Challenge for Top Listed Companies” (Business Today, November 28, 2023) <<https://www.businesstoday.in/magazine/deep-dive/story/how-sebis-stringent-sustainability-reporting-mandate-is-proving-to-be-a-challenge-for-top-listed-companies-407240-2023-11-28>> accessed February 21, 2024

<sup>15</sup> Sadiq, Muhammad, "The role of environmental social and governance in achieving sustainable development goals: evidence from ASEAN countries." *Economic research-Ekonomska istraživanja* 36, no. 1 (2023): 170-190.

firms may implement targeted, proactive, and immediate actions to reduce these risks and function in a more sustainable and socially responsible way.

Collaboration among the corporation, civil society, human rights, and environmental organisations enables companies to pinpoint particular, localised concerns and tackle them directly, either via internal policy adjustments or corporate social responsibility initiatives. These efforts guarantee that the company's reformative actions, aligned with the BRSR, are targeted at those impacted by the company's activities, both domestically and internationally, rather than being vague and disorganised. The vision is expressly mentioned in the 'object' clause of the BRSR, demonstrating a clear intention by the framework architects to include human rights and environmental aims as essential components. The framework requires companies to report on the strategies they have implemented, allowing external stakeholders to assess how well the company has considered affected stakeholder groups and incorporated their feedback into internal policies.

Initially, firms may seem to be at a significant disadvantage, since they will need to make substantial expenditures to meet the ESG criteria. Research indicates that organisations with a high ESG rating are more inclined to achieve financial success. This is probably due to a changing consumer awareness towards ecological and human rights issues. When a firm demonstrates that it is incorporating these issues into its operations and decision-making processes via legally allowed disclosure methods, it gains significant goodwill and acknowledgement from customers in the market. Reporting frameworks like BRSR can achieve human rights and environmental objectives while simultaneously fulfilling a business's core purpose of generating profit.

### **Enforcement, Implementation and Transparency**

Human rights, sustainability, and business all seem to be trying to meet in the middle of the BRSR, as was pointed out before. Companies' adherence to disclosure laws and the method by which they must share data will determine the amount to which an intersection is put into reality, even when it is indicated in principle.

Distinguishing between mandatory and optional disclosure is the most obvious problem. Since the majority of the criteria are considered "voluntary," the BRSR's intersectional vision remains a theoretical idea. Companies can generate inaccurate and inconsistent statistics on their operations because of this split. Inconsistent data on how a company finds human rights risks and incorporates them into contracts can result, for example, from the fact that it is required to

determine whether human rights requirements are part of a firm's business contracts but voluntary to determine whether any human rights due diligence was conducted.<sup>16</sup>

Companies are exempt from providing detailed information about their policies, which makes it impossible for stakeholders to compare policies or determine whether a particular policy is suitable, effective, and inclusive. Worse still, even if some factors like greenhouse gas emissions need to be evaluated and reported using certain measures, they are also not always accurate. The absence of verification by any independent statutory body is the reason for the lack of dependability in this data. A third party can verify a company's data, but even that isn't guaranteed. Thus, businesses are not discouraged from releasing data that is inaccurate and/or altered.<sup>17</sup>

What happens when a system is perfect in principle but easy to game in reality is that it sets itself up for greenwashing. One might argue, nevertheless, that this is the very result the Indian government was going for to show the world that it is part of the growing ESG framework without letting it make doing business in India more difficult. So, instead of integrating ESG consciences, governments and corporations alike are only interested in reaping the benefits of being ESG-friendly, which means they aren't addressing the nexus of business, human rights, and sustainability.

### Looking Forward

To become perfect intersections, frameworks like the BRSR must be able to change the way businesses think. As it stands, third parties who use the BRSR to assess a company's ESG friendliness should exercise extreme caution when relying on "ESG ratings" or "ESG scores" bestowed upon the business by third-party, impartial groups based on its BRSR report. As shown earlier, the government does not currently have economic incentives to change its perspective on ESGs, even if it would be ideal if it firmly enforces the BRSR and independently validates the supplied information. Any change in the conversation about human rights and sustainability has come about via community and consumer pressure, and the only way the BRSR or any other reporting structure can improve corporate conscience is in the same manner.

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<sup>16</sup> "Business Responsibility and Sustainability Report" (Deloitte India) <<https://www2.deloitte.com/in/en/pages/finance/articles/business-responsibility-and-sustainability-report.html>> accessed February 21, 2024.

<sup>17</sup> WIPRO, "Business Responsibility and Sustainability Report 2022-23" <<https://www.wipro.com/content/dam/nexus/staticsites/annual-report-2023/pdf/business-responsibility-report.pdf>> accessed February 21, 2024.

To put pressure on companies and the government to develop better frameworks, these stakeholders will need to publicly disclose their conclusions about the BRSR's shortcomings.

**The process of “Human Rights Due Diligence” (HRDD) within the context of corporate “Environmental, Social, and Governance” (ESG) considerations, specifically focusing on the Business Responsibility and Sustainability Report 2022:<sup>18</sup>**

### 1. Understanding HRDD:

- HRDD is a critical management tool that helps companies identify, assess, prevent, mitigate, and remedy negative human rights impacts.
- It ensures that business activities do not infringe upon human rights, both within the company and along the supply chain.
- Fulfilling HRDD obligations is essential for responsible corporate behaviour and long-term competitiveness<sup>1</sup>.

### 2. Key Components of HRDD:

- **Integration:** Companies should integrate HRDD into their business processes, not only at their sites but also throughout the supply chain.
- **Continuous Process:** HRDD is an ongoing process that adapts and improves over time.
- **Regulatory Awareness:** Monitoring regulatory developments, such as the planned EU directive on human rights due diligence, is crucial<sup>1</sup>.

### 3. Roles and Responsibilities:

- **Executive Board:** The Executive Board holds ultimate responsibility for human rights within the company's sphere of influence.
- **Managing Directors:** They are required to respect human rights.
- **Group Corporate Sustainability Unit:** Responsible for coordinating HRDD activities across the Group.

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<sup>18</sup> “Resource Center on ESG and Sustainability – Vinod Kothari Consultants” <<https://vinodkothari.com/resource-center-on-business-responsibility-and-sustainable-reporting/>> accessed February 21, 2024.

- **Cross-Sectoral Working Group:** Exchanges information on business and human rights.
- **UN Global Compact Network Germany:** Engages in discussions with other companies on human rights due diligence.

#### 4. Guiding Principles and Commitment:

- The company's **Human Rights Charter** aligns with the UN Guiding Principles for Business and Human Rights.
- It covers a broad range of human rights topics, including product safety, clinical studies, occupational health, equal opportunity, fair pay, and more.
- In 2022, the company further developed its approach to HRDD, influenced by the new German Supply Chain Due Diligence Act, strengthening risk identification processes.

HRDD is a vital aspect of corporate responsibility, ensuring respect for human rights while maintaining competitiveness. The company's commitment to transparency and continuous improvement underscores its dedication to ethical practices.

## VII. CONCLUSION & SUGGESTION

This research aimed to assess the maturity of HRDD processes adopted by Indian companies within their broader ESG considerations aligned to the BRSR framework. Analysis of disclosures across sample firms in high-risk sectors reveals that while early stages of formal policy commitment exist, integration of robust HRDD processes remains lacking. Gaps in undertaking continuous impact assessments, tracking the effectiveness of mitigating actions, monitoring systems and providing transparency around remediation persist across the board.

Findings reinforce that most Indian companies view human rights as a matter of reputation risk and legal compliance rather than an ethical responsibility fundamental for socially sustainable business. Very few demonstrate substantive movement from basic policy alignments to embedded actions for continuous identification and prevention of potential rights infringements. Though BRSR mandates HRDD disclosure, current maturity levels indicate this has yet to



permeate broader management mindsets in transforming accountabilities towards vulnerable and marginalized stakeholders.<sup>19</sup>

Nevertheless, regulators have laid the blueprint for change through reporting requirements like BRSR. The onus now falls on Industry leaders, investors, civil society and community stakeholders to collectively advocate embedding respect for human rights as non-negotiable within corporate risk management, governance priorities and sustainability visions. HRDD processes must reach the level of rigour and transparency currently afforded for financial due diligence. The business case too calls for internalizing human rights commitments within ESG foundations mitigating legal, operational and reputational risks; enabling social license to operate; fulfilling duty of care and reflecting core values expected from responsible, ethical and accountable entities today.

In transforming human rights as integral components within ESG and sustainability visions, some suggested steps for companies include:<sup>20</sup>

1. Mandate top-down oversight ensuring business model alignments with human rights responsibilities
2. Conduct repetitive impact assessments identifying vulnerabilities faced by rights holders across operations and value chain
3. Frame comprehensive policies endorsed by leadership covering a range of potential rights issues with provision for transparent grievance redressal
4. Invest in developing staff capabilities assessing human rights impacts through workshops, training programs and awareness campaigns
5. Monitor qualitative and quantities metrics demonstrating the effectiveness of integrating HRDD to hold business relationships accountable
6. Enable active engagement channels with potentially impacted communities, civil society organizations and rights advocates facilitating mutual learning

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<sup>19</sup> Agarwala S, “Business Responsibility and Sustainability Report: A Step Forward in ESG Reporting” (TaxGuru, September 7, 2022) <<https://taxguru.in/sebi/business-responsibility-sustainability-report-step-esg-reporting.html>> accessed February 21, 2024.

<sup>20</sup> Khan F, “Business Responsibility and Sustainability Report &#8211; Evolution Of ESG Reporting In India” (Sigma Earth, November 23, 2023) <<https://sigmaearth.com/business-responsibility-and-sustainability-report-evolution-of-esg-reporting-in-india/>> accessed February 21, 2024.

7. Make human rights commitments non-negotiable code of conduct provisions for onboarding and evaluating vendors/partners
8. Seek independent third-party assurance establishing credibility of human rights disclosures and sustainability reports over time

Indian businesses must align “respect for human rights” with “responsible business conduct” within their ESG priorities. Though regulatory reporting drivers now exist, substantive change requires internalizing human rights as part of core corporate purpose, values and risk strategies - not just a matter of compliance. Leadership commitment, capacity building and multi-stakeholder collaborations are crucial to making the transition towards embedding ethical, accountable and socially sustainable business models for the future.

