

**CORPORATE SUSTAINABILITY DUE DILIGENCE
DIRECTIVE:
WHAT IT MEANS FOR NON-EU BUSINESSES**

Overview

- Impact on EU & non-EU entities based on thresholds
- To ensure responsibility on “Chain of Activities”: Subsidiaries, Business partners, Upstream supply chain & Downstream also-transport/ distribution etc.
- Onus on Companies to ensure compliance with human rights & environmental standards
 - No change in law required for exporting countries
- Companies to:
 - manage risks (reputational also),
 - build capacity in supply chain,
 - third party verification
 - fix problems

Key terminologies

- ‘**Appropriate measures**’ should be understood to mean measures that are capable of achieving the objectives of due diligence, by effectively addressing adverse impacts in a manner commensurate to the degree of severity and the likelihood of the adverse impact, and reasonably available to the company, taking into account the circumstances of the specific case, including the nature and extent of the adverse impact and relevant risk factors”: Preamble, para 40
- Possible steps:
 - Code of Conduct,
 - Training,
 - Monitoring & Compliance Reporting,
 - Third party verification

Key terminologies

- **‘Adverse impact’:**

Actual and potential adverse impacts including issues on:

1. Human rights like forced or child labour, inadequate workplace health and safety, worker exploitation,
2. Environment such as greenhouse gas emissions, pollution, and biodiversity loss.

Key terminologies

Complaints & Grievance redressal

- Companies must establish complaints procedures which are fair, publicly available, accessible, predictable and transparent.
- Complainants must be able to:
 - request appropriate follow-up on the complaint;
 - meet with the company's representatives at an appropriate level to discuss actual or potential severe adverse impacts that are the subject matter of the complaint and potential remediation; and
 - be provided by the company with the reasons a complaint has been considered founded or unfounded and, where considered founded, with information on the steps and actions taken or to be taken.

Overview

- As of now: broad text on Human Rights & Environment Due Diligence.
 - But nothing concrete on “how”/ & exact measures

4 Key items yet to evolve

- EU Directive: therefore- Members have to enact Implementing Laws- July 2026
- Due Diligence guidelines & Model Contractual clauses from EU to help companies design checklists: January 2027
- Guidelines for Climate Transition plan: 2027

CS3D: Thresholds

Covered Entity	Turnover/ Royalty requirement
EU-based company or EU-based ultimate parent company of a group reaching requirement on consolidated basis	EUR 450 million net turnover (worldwide)
EU-based company entered into or is the ultimate parent company of a group that entered into franchising or licensing agreements in the EU, where those agreements ensure a common identity, a common business concept and the application of uniform business methods	EUR 22.5 million royalty <i>and</i> EUR 80 million net turnover (worldwide)
Non-EU based company <i>or</i> Non-EU based ultimate parent company of a group reaching requirement on consolidated basis	EUR 450 million net turnover within EU
Non-EU based company entered into or is the ultimate parent company of a group that entered into franchising or licensing agreements in the EU, where those agreements ensure a common identity, a common business concept and the application of uniform business methods	EUR 22.5 million royalty within EU <i>and</i> EUR 80 million net turnover within EU.

Phased implementation

Covered Entity	HREDD Obligations	Reporting
<p>> 5000 employees (for EU companies) and > EUR 1500 million net worldwide turnover <u>Or</u> a parent company of a group of companies reaching this threshold.</p>	26 July 2027	FY starting on or after 1 January 2028
<p>5000 > 3000 employees (for EU companies) and EUR 1500 > EUR 900 million net worldwide turnover <u>Or</u> a parent company of a group of companies reaching this threshold.</p>	26 July 2028	
<p>> EUR 1500 million net turnover within EU (for non-EU companies)</p>	26 July 2027	FY starting on or after 1 January 2028
<p>EUR 1500 > EUR 900 million net turnover within EU (for non-EU companies)</p>	26 July 2028	FY starting on or after 1 January 2029
<p>All other covered entities, not otherwise captured above</p>	26 July 2029	FY starting on or after 1 January 2029

Thank you!



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