



LABOR ASSESSMENT 2024

Abstract

This report provides an overview of FE Indorama Agro LLC's labor practices, based on a comprehensive assessment conducted by an independent third-party monitor, Nazar Business Tech (NBT). While this report is condensed for brevity, the significance remains intact & it serves as a concise informational resource for stakeholders interested in understanding IAL's commitment to responsible labor practices and should not be construed as legal advice.

ABBREVIATIONS

BCI	Better Cotton Initiative
CAP	Corrective Action Plan
CATI	Computer Assisted Telephone Survey
CBA	Collective Bargaining Agreement
CCP	Cotton Collection Point
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLO	Community Liaison Officer
COO	Chief Operating Officer
EBRD	European Bank for Reconstruction and Development
ESAP	Environmental Social Action Plan
ESG	Environmental Social Governance
ESIA	Environmental Social Impact Assessment
ESMP	Environmental and Social Mitigation Plan
ESMS	Environmental and Social Management System
FE	Foreign Enterprise
FGD	Focus Group Discussion
GDP	Gross Domestic Product
GoU	Government of Uzbekistan
GR	Government Relations
HOD	Head of Department
HR	Human Resources
HSE	Health, Safety and Environment
IAL	Indorama Agro LLC
IFC	International Finance Corporation
ILO	International Labor Organization
KPI	Key Performance Indicators
LC	Labor Code
LLC	Limited Liability Company
MTP	Motor Tractor Park
NBT	Nazar Business and Technology
NUC	Nano Unit Contractors (former NUW)
NUW	Nano Unit Workers
OHS	Occupational Health and Safety
PPE	Personal Protective Equipment
PR	Performance Requirements
PS	Performance Standards
RCM	Resolution of the Cabinet of Ministers (of Uzbekistan)
ToR	Terms of Reference

KEY TERMS AND DEFINITIONS

Term	Description
Labor Assessment	A comprehensive evaluation of the labor practices, conditions, and compliance with labor laws and standards within a specific organization or sector. The assessment aims to identify areas of improvement, potential risks, and opportunities for promoting fair and ethical labor practices.
Labor Practices	The policies, procedures, and conditions related to the recruitment, hiring, working conditions, wages, benefits, and treatment of workers within an organization. Labor practices can impact the well-being, rights, and dignity of employees and are subject to regulation and oversight by labor laws and standards.
Labor Laws	Legal regulations and statutes that govern the relationship between employers and employees, set forth minimum standards for wages, working conditions, health and safety, and rights of workers. Labor laws aim to protect the rights of workers, ensure fair and equitable treatment, and prevent exploitation and discrimination in the workplace.
Labor Standards	Norms, guidelines, and principles established by international organizations, government agencies, or industry associations to promote decent work, fair labor practices, and respect for workers' rights. Labor standards cover various aspects of the employment relationship, including working conditions, wages, hours of work, freedom of association, and social protection.
Total Workforce	The total number of employees, workers, or laborers engaged by IAL. The workforce represents the human capital or labor resources available to perform tasks, fulfill roles, and contribute to the production of goods or delivery of services. The workforce consists of direct and indirect employees.
Direct Employees	<p>Direct employees are individuals who have direct contractual or other agreements with Indorama Agro (IAL), without involvement of intermediaries or other organizations. Direct employees are further divided into the following sub-categories:</p> <ol style="list-style-type: none"> 1. Permanent workers 2. Temporary workers 3. Seasonal workers 4. Expatriate workers.
Contractors	<p>A contractor is a person or company that is engaged to carry out specific tasks, provide services, or deliver goods for another party in return for compensation. Contractors operate under a recognized legal structure and are typically hired to fulfill a defined set of responsibilities in exchange for payment. IAL has the following sub-categories of contractors:</p> <ol style="list-style-type: none"> 1. Nano Unit Contractors (NUCs) 2. Service providers (or outsource companies)

Term	Description
	<p>3. Contract Farmer.</p> <p>It should be noted that contractors, whether local or international, providing goods or services without utilizing workers on-site at the company premises or local area are not included in this report. This report specifically focuses on contractors who employ workers in the field and/or on the company's premises, as they are subject to international labor standards and fall under the company's responsibility</p>
Indirect Employees	<p>Indirect workers are individuals who are not directly employed by IAL, but provide services or labor through a third party, such as a contractor or service providers. These workers have not a direct contractual relationship with the company, but their work indirectly contributes to the company's operations. Indirect employees (or third-party workers) are mainly workers engaged for the work in IAL through above mentioned three categories of Contractors:</p> <ol style="list-style-type: none"> 1. Workers hired through NUCs 2. Workers hired by Service providers (or outsource companies) 3. Contract Farm workers. <p>Third-party workers are also further sub-divided into permanent, temporary, and seasonal workers. The largest group here are seasonal workers engaged by contract farms for cotton harvesting for example.</p>
Permanent workers	<p>Permanent workers are direct employees who are hired on a long-term basis by a company and have an ongoing employment relationship with that company. They typically receive benefits such as paid time off, health insurance, and retirement benefits. Permanent workers may be full-time or part-time employees, but they are not hired for a specific project or for a fixed duration of time. They are considered integral and essential members of the company's workforce. According to local legislation permanent workers are contracted for indefinite period or fixed term for not more than 3 years.</p>
Temporary workers	<p>Temporary workers are employed by a company for a specific project or for a limited duration of time. They are not hired on a permanent basis and their employment is typically contingent on the needs and duration of the project. Temporary workers may be hired to fill in for permanent employees who are on leave, to help with seasonal or temporary work fluctuations, or to provide additional support for specific projects or tasks. They do not typically receive the same benefits as permanent workers and their employment may end once the specific project or time period is completed. According to local legislation temporary workers are contracted for up to 2 months.</p>
Seasonal workers	<p>Seasonal workers are individuals who are employed during specific times of the year, primarily due to demand fluctuations in certain activities, where the number of available positions varies significantly throughout the year. Seasonal workers may be hired for short-term contracts or temporary roles to meet the peak</p>

Term	Description
	requirements of a business during busy seasons and include roles like cotton pickers, ginnery workers, or biolaboratory staff.
Expatriate workers	Expatriate workers are individuals who are living and working in a foreign country for a defined period of time, usually on a temporary basis. These workers are typically hired by a multinational company or organization to work in a different country where the company has operations or projects. Expatriate workers are often chosen for their specialized skills, expertise, and experience that may not be readily available in the local labor market. They are usually provided with a range of benefits to support their transition and stay in the foreign country, including housing, healthcare, relocation assistance, and sometimes language training. Expatriate workers may face challenges related to cultural differences, language barriers, and adjusting to a new work environment and living conditions.
Nano Unit Contractors (former Nano Unit Workers)	These are small Limited Liability Companies (LLCs) hired and trained by Indorama Agro to manage crop production works and monitoring activities in the Company fields. Each NUC has responsibility to manage about 80 hectares of land, their remuneration includes fixed monthly payment and productivity incentives.
Contract Farms	These are farms (legally registered organizations) who have direct land rent agreement with the GoU for production of cotton and wheat, usually owning about 100 hectares of land on average. Contract farms have agreement for sale of produced crops to Indorama Agro, and the Company supports those farmers with allocation of loans to cover production cost and with provision of agricultural inputs and extension services.
Stakeholder(s)	Persons or groups that are directly or indirectly affected by a Project as well as those that may have interests in a Project and/or the ability to influence its outcome, either positively or negatively. This can refer to shareholders, lenders, employees, communities, industry, governments and international third parties.
Makhallas (Communities)	Makhallas are self-governing communities in Uzbekistan. Makhallas are the lowest administration units bringing together on average about 400-600 households (2,000 – 4,000 population).
Affected Makhallas (Communities)	Local makhallas located within the operational areas of IAL and its farmlands and/or IAL, and under the impact area of the company activities and source of labour force for IAL.

METHODOLOGY

The labor and working conditions assessment of IAL were conducted through the: (i) collection and review of related company policies and procedures, contracts with employees, contract farmers, NUC and outsource companies (third party) and related resolutions and documents; (ii) visual inspection of main offices, logistics centers and ginning plants in Syrdarya and Kashkadarya regions; (iii) visiting cotton production areas in four project districts (Sardoba, Okoltin, Kasbi and Nishon district); (iv) conducting interviews with management staff, company workers, cotton production managers and security staff; (v) conducting focus group discussions with NUCs, contract farmers and seasonal workers; and (vi) conducting a computer assisted telephone survey (CATI) of 300 seasonal workers.

The proposed methodology focuses on the assessment of the Company labor management systems and practices. This involves reviewing policies, procedures, and practices related to recruitment and employment, employee contracts, working hours, wages and benefits, OHS, grievance mechanisms, and overall labor management practices.

The methodology also included the evaluation of the IAL's engagement with workers and TU's representatives. This involves assessing the existence and effectiveness of grievance mechanisms, worker representation, and consultation with local communities and trade unions.

Assessing the Company compliance with health and safety standards is a critical aspect of the methodology. This includes reviewing the organization's health and safety policies, conducting workplace inspections, and evaluating the organization's performance in maintaining a safe working environment.

As defined in the Terms of Reference (ToR) while undertaking interviews, the Consultant adopted measures to protect workers confidentiality and minimize the risk of information leaks that might heighten the risk of retaliation. The Consultant applied the below measures:

- As applicable, undertook workforce mapping to establish the different ethnic groups and ensured that they were separately interviewed in focused groups.
- Conducted separate focus groups for women if there were female workers as part of the workforce.
- Conducted focus group interviews in safe locations, such as off-site without presence of company representatives/managers/supervisors and without any surveillance such as cameras etc.
- No personal names were collected (only positions and locations) to ensure anonymity of respondents.
- Personal names were not recorded.
- Ensured security of information collected.
- Participants were briefed on the confidentiality of the process.
- Triangulated and generated more documental evidence from the Company to establish the authenticity of any serious violation reported in anonymous feedback.

The Consultant assembled a team of 6 specialists comprising experts in labor, social issues, OHS, and environmental matters.

The assessment tools included interview questionnaires tailored for different positions and types of workers, guidelines for focus group discussions, inspection checklists, and a programmed CATI questionnaire in both English and Uzbek languages.

The interview questions were prepared to gain insights into possible labor-related concerns at the sites. In total 16 questionnaires were developed including questionnaires prepared for top managers, head of relevant departments (HODs), regional and district managers, trade union heads, FGD questionnaires for NUCs, contract farmers and seasonal workers, and CATI survey questionnaire.

For FGDs the NBT team selected participants randomly from the list of workers and contractors provided by the Company. The FGDs were mainly conducted in venues outside of the Company, such as nearby public schools or community offices, to ensure confidentiality. In situations where FGDs must be conducted within the Company premises, local managers and staff were not permitted to remain in the room during the discussions.

The NBT team also conducted on-site inspections of main Company premises to observe the working areas and gain essential contextual understanding. The main focus was to inspect and confirm critical areas of the work site, such as health and safety standards, overall site maintenance, working and living conditions, and treatment-related issues.

During site inspection visits, workers were chosen for interviews through visual inspection, without providing any advance notice to management. This approach was taken to minimize the risk of coaching.

The NBT team visited the Company premises and cotton production zones in the Syrdarya region from February 26 to March 1, 2024, and in the Kashkadarya region from March 4-6 and March 11-12, 2024. The decision to take a break after March 6 during the site visit in the Kashkadarya region was made to avoid disrupting workers during the upcoming holidays for International Women's Day.

CATI Survey Methodology

In order to ensure a more comprehensive representation of seasonal workers' opinions on labor management practices engaged at IAL fields, the CATI survey involving 300 seasonal workers (cotton pickers) was included in the assignment. Given the large number of seasonal workers who are primarily hired through other organizations such as NUCs/LLCs and contract farmers, conducting a quantitative survey will enable the Consultant to reach a larger sample size and facilitate analysis in a short time.

NBT has all the essential equipment, including designated rooms with separate cabins, specialized software, computers, telecommunication, and audio hardware required to efficiently conduct the CATI survey. The NBT team has developed a brief questionnaire available in local language designed to be completed in 10 minutes. It involved seasonal workers from all 4 districts where the Company operates.

The CATI team attempted calling all 350 phone numbers provided, however was able to complete 166 surveys only. Many numbers were not reachable, not existing or participants refused to participate. Should there be a significant increase in proportion for a specific location or job type during the survey, the IT specialists excluded the numbers from that location or job type from the sampling process.

Document Review

The Consultant team had prepared and shared with the company the list of necessary relevant labor documents and evidence, with the cut-off date. This ensures that the necessary materials are reviewed within the specified timeline. A total of 34 policy and SOP documents were reviewed.

EXECUTIVE SUMMARY

Indorama Agro LLC (IAL), one of Uzbekistan's largest cotton producers, employs a diverse workforce comprising various categories of workers, including direct employees, contracted workers, temporary staff, expatriate workers, seasonal laborers, and third-party workers. The company's total workforce, both direct and indirect, amounts to approximately 24,000 (2023), reflecting the scale and complexity of its operations in the cotton industry.

IAL's workforce is classified into two main groups: direct employees and indirect workers. Direct employees include permanent workers, temporary workers, expatriate workers, and seasonal workers. Indirect workers are divided into Nano Unit Contractors (NUCs), Contract farmers, the Milliy Gvardiya (National Security and Protection Organization), and other contractors, with their workers referred to as indirect or third-party workers for IAL.

To enhance its labor management systems and mitigate the risk of forced labor in its cotton farming operations, Indorama was requested by the IFC and the EBRD to conduct an independent assessment of its labor practices at its directly operated cotton farms, cotton gins, and contract farms.

The labor and working conditions assessment of IAL was conducted through:

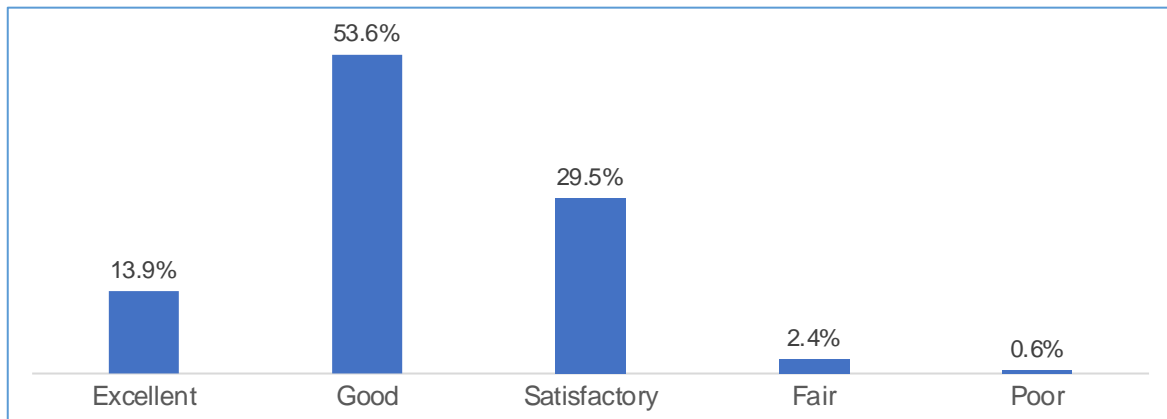
- Reviewing company policies, procedures, contracts with employees and farmers, and related documents.
- Inspecting main offices, logistics centers, and ginning plants in the Syrdarya and Kashkadarya regions.
- Visiting cotton production areas in the four project districts (Sardoba, Okoltin, Kasbi, and Nishon).
- Interviewing management staff, company workers, cotton production managers, and security staff.
- Conducting focus group discussions with NUCs, contract farmers, and seasonal workers.
- Conducting a computer-assisted telephone survey (CATI) of 300 seasonal workers (cotton pickers).

Figure 1: Number of Respondents Interviewed during Focus Group Discussions (FGDs)

Total number of FGDs: planned/ actual	Number of participants: planned/ actual	from which:						On-site interview
		with NUCs		With Pickers Leaders & Scouts Leaders		With Contract Farmers		
		Number of FGDs:	Number of participants	Number of FGDs	Number of participants	Number of FGDs	Number of participants	Number of participants
24/10	150/134	4/5	60/64	4/4	60/58	2/1	30/12	120/184

Figure 2: CATI Survey

District	Total Number of cotton pickers	Total Numbers Received	Successful Surveys
Nishon	10 311	120	46
Kasbi	7 945	118	58
Okoltin	416	61	28
Sardoba	313	51	34
Total	18 985	350	166

Figure 3: Seasonal Workers' Evaluation of Overall Work Environment and Atmosphere

As part of the audit, the Consultant reviewed assessment reports from previous IAL audits, highlighting both progress and areas requiring further attention. The Indorama Agro Labour and Working Conditions Report (Impactt, September 2022) outlined corrective actions across various categories, including occupational health and safety, working hours and wages, and grievance redress mechanisms. While IAL has achieved positive outcomes in most areas, the audit identified incomplete implementation, particularly regarding documentation, conflict of interest, and the confidentiality of grievances. Those findings suggested a 35 points CAP to enhance IAL's processes to ensure comprehensive systems in place.

Indorama Agro Labour and Working Conditions Report (Impactt, September 2022):

Management systems exhibited inconsistencies and lacked transparency, with poor adherence to policies and inadequate training. Contracting practices were critically flawed, including the improper use of civil contracts that affected workers' rights. Working hours and wages presented major issues, characterized by excessive shifts, unrecorded overtime, and payment inconsistencies. Health and safety practices were critically deficient, marked by inadequate PPE and unsafe conditions. Intimidation and verbal abuse by managers were prevalent, along with ineffective grievance mechanisms.

To address these identified gaps, this document outlined a total of 35 corrective actions, as identified during the audit conducted by Impactt. These actions are designed to enhance labor and working conditions and are categorized as follows:

- Occupational Health and Safety (OH&S): 4
- Working Hours and Wages: 6
- Non-Employees: 2
- Non-Discrimination: 2
- Extortion and Bribery: 5
- Contracting: 3
- Grievance Redress Mechanism (GRM): 13

The current follow-up audit by Nazar Business and Technology (NBT) assessed the implementation of these measures and identified that IAL achieved positive outcomes across the categories, with many of the above deficiencies being eliminated at the time of the current audit. Nevertheless, the audit also revealed instances where the implementation in certain areas was incomplete.

All policies were translated into the Uzbek language and published on the company's website. The situation with overtime has improved significantly. During the audit, cases were found where the workers noted that they worked without a contract. There were also two cases when, during an interview at the workplace, the workers mentioned that they did not get paid for work for overtime hours. In most cases, the workers indicated that they had received additional payment for overtime. Not a single mention of cases of sexual harassment were observed, and the company has developed and implemented a policy to prevent harassment. Some inconsistencies were noted, however, regarding compliance with worker safety precautions.

The Impact report emphasized the need for enhancements to IAL's grievance system, specifically highlighting the importance of documenting all grievances and their resolutions and ensuring the confidential and anonymous submission of concerns. However, the current audit has revealed that employees in the ESG department are often unaware about appeals submitted to other departments, such as Human Resources or Trade Unions. Additionally, it was noted that some appeal submission boxes are under camera surveillance, which raises concerns regarding the confidentiality of the grievance process.

In connection with the transition to a new system - the transition from NUW to NUC, the issues of concluding contracts were presented, where many types of work were transferred to third parties. However, all types of contracts concluded at the time of the audit met the requirements of national labor legislation. Furthermore, the Legal Note by Centil (2023) confirmed that the Agreement for Providing Services complies with Uzbek legal standards and includes necessary elements for a valid service agreement. This integrated review underscores the need for continued focus on addressing identified deficiencies while recognizing the progress achieved in implementing corrective actions.

Review of Contract Agreement for Providing Services (Performance of Work) in Agricultural Fields (Centil, 2023):

The review conducted by Centil assessed the Agreement for Providing Services in Agricultural Fields under Uzbek legal standards. It was determined that the Agreement qualifies as a service agreement, as defined by the Civil Code and the Law on Contractual and Legal Basis. This type of agreement entails the contractor providing intangible services—actions or activities—based on the customer's request, with the customer agreeing to remunerate these services.

Centil's examination confirmed that the Agreement encompasses all the essential elements required for a service agreement. Specifically, it includes: (i) a detailed description of the type of services to be performed; (ii) the volume or duration of the services; (iii) the terms and procedures for payment; and (iv) other necessary provisions such as party liabilities, dispute resolution mechanisms, and the parties' details. The Agreement was found to be compliant with the legal requisites for service agreements in Uzbekistan.

Environmental, Health & Safety Monitoring Report (WSP, 2023):

This report represents the third EHS monitoring visit conducted by the WSP team in 2023, following two previous visits. The audit revealed gaps in environmental, health, and safety issues management actions across Indorama's operations and incomplete implementation of the Occupational Health and Safety Management Plan. It should be noted that this report has more focus on environmental compliance while this evaluation is mostly focused on labor conditions assessment.

In response, the document outlines 27 corrective actions primarily aimed at addressing these environmental, health, and safety issues, in line with the report's findings.

The results of this more recent audit indicate that IAL has successfully implemented corrective actions relevant to PS 2 and 4, preparation of a progress labor audit monitoring report in the Uzbek language, and an explanatory report regarding the transition of Nano unit workers to NUCs. Although further progress is required, advancements have also been achieved in the recruitment of ESG personnel and implementation of the Grievance Redress Mechanism (GRM).

More detailed information on each of these topics is provided in the corrective action plan section of this report, where specific issues and progress in implementation are discussed in greater depth.

Way Forward:

Since its foundation in Uzbekistan, IAL has undergone several organizational restructuring efforts to optimize its management structure and drive better performance. The most significant changes took place in 2022, followed by further enhancements in 2023. These strategic revamps aimed to streamline operations, improve decision-making processes, and align resources more efficiently to support IAL's overall business objectives.

In 2023, significant changes were observed in the organizational structure of IAL. These changes involved the transitioning of field supervision responsibilities from NUW to NUC, transforming direct worker roles into contractor-based positions, and outsourcing various support functions such as security, cleaning, gardening, and other related tasks. Additionally, civil contracts were stopped, with most personnel being absorbed into the system as direct employees and third-party workers.

In early 2024, the Company introduced two new managerial roles, namely the Chief Agronomist and Regional PU Managers. Furthermore, the organization underwent restructuring by dividing the EHS and Engineering Department into separate entities, which were previously merged. Moreover, the EHS was integrated into the ESG department as part of the restructuring efforts. In 2024, at the time of the audit, both the ESG Senior Manager and EHS Manager positions were vacant following the recent departure of the incumbents. The management of grievances underwent restructuring, leading to internal grievance responsibilities being transitioned to the EHS Manager, who was subsequently rebranded as the EHS&GRM Manager. External grievance management duties were assigned to the newly established position of Community and Governance Manager within the ESG department. At the end of the assessment period, the position of EHS&GRM Manager became vacant as the incumbent departed, while the role of ESG Sr. Manager (head) was successfully filled.

In 2023, notable changes in direct farming included shifting field supervision from term-employed Nano Unit Workers (NUW) to NUC, converting direct worker positions to contractor-based roles, and

outsourcing part of the security and other non-core services. IAL has engaged the National Security Organization “Milliy Gvardiya” to safeguard its logistic centers, ginneries, and main offices, while maintaining its own security staff for agricultural crops.

Although IAL aims to improve labor management practices through structural adjustments, these changes are often communicated through trade unions and elected worker representatives rather than directly with affected employees. This approach leaves many field staff unaware of changes, causing insecurity and uncertainty. Additionally, outsourcing and inadequate management of third-party workers contribute to job security concerns, negatively impacting employee morale and engagement.

The Consultant reviewed these change processes, inspected current settings and labor management practices of the company, and listed the main findings and violations in terms of local regulations, lenders' requirements, and participant feedback. The assessment identified issues with IAL's operational health and safety measures, including improper PPE use, weak internal operational health and safety (OHS) monitoring, insufficient knowledge of workers on actions required during emergency situations, and OHS management issues. To safeguard employee well-being, the company should prioritize the enhancement of these initiatives. Addressing these concerns and implementing improved safety protocols will create a safer work environment for all IAL employees.

Taking action to rectify these shortcomings and prioritize workforce health and safety is imperative. Over the last two years, the company has achieved notable successes with the ESG department and management procedures, including a robust GRM that improved social and environmental management. Various training and development opportunities are available to employees to enhance their skills. During NBT assessments, workers have recognized the value of IAL's training programs for their professional growth. While these efforts have yielded positive results, there is still room for improvement to achieve higher labor practice standards. Striving for excellence in labor management can position the company as a benchmark in Uzbekistan's agricultural sector.

Compliance Status

The Compliance Summary provides a detailed evaluation of project adherence to the IFC and EBRD PS/PR-2 Labor and Working Conditions standard, serving as a benchmark for future performance assessments. It assesses aspects such as fair wages, working hours, health and safety, and labor rights, guiding periodic internal and external evaluations to maintain a safe and fair working environment for all employees in line with international labor standards.

The Compliance Summary is provided in table below. Compliance with each aspect of PS/PR-2 requirements has been scored using the following protocol:

FC - Fully Compliant: The Project is fully in compliance with international requirements, and local labor, health and safety policies and guidelines.

MC - Moderate Compliance: The Project is mostly in compliance with PS/PR-2 standard however some processes and measures need further improvements and actions.

PC - Partial Compliance: The Project is not in full compliance with PS/PR-2 standard, but has some systems, processes or mitigation measures in place which is working towards addressing the deficiencies.

MN - Material Non-compliance: The Project is not in material compliance with PS/PR-2 standard, and the systems, processes and mitigation measures in place are not working towards addressing the deficiencies. This score considers the level of residual (post-approval) risk and the level of confidence that the Project can successfully bring the issue into compliance with the Policy through the Corrective Action measure included.

NA - Not Applicable: A brief reason for this score is noted.

PS2/PR2 Aspect	Status	Comment /Issues	Proposed Corrective Measures	Closure Target timeline
Labour Management Structure	PC	<ul style="list-style-type: none"> Lack of statistics of NUC and their 3rd party workers 	<ul style="list-style-type: none"> Develop a database of NUCs and their 3rd party workers categorized by (KPIs) including essential labor characteristics. 	March 2025
HR Policies and Procedures	MC	<ul style="list-style-type: none"> The organizational structure changes are not updated in pertinent policies and SOPs, Temporary/ seasonal workers are not 100% aware of policies and SOPs. NUCs and contract farmers lack understanding of labor management and requirements. 	<ul style="list-style-type: none"> Update GRM Policy and SOP, SEP, reflecting updates in organizational structure. Increase awareness on main labor policies, rights, and responsibilities. Train NUC & contract farmers on the mechanism of third-party labor working terms and conditions. 	March 2025
Hiring and Recruitment Process	PC	<ul style="list-style-type: none"> Changes in contract terms are not discussed with drivers, operators before signing. 	<ul style="list-style-type: none"> While making the contract take a sign off on user acceptance clause. 	December 2024

Contracting	PC	<ul style="list-style-type: none"> Some workers alleged that they were not provided with a copy of their contract. Direct workers were found to be working without contracts in both provinces. 	<ul style="list-style-type: none"> 100% of employees and contractors to receive contracts with IAL and one signed copy is provided to them. 	September 2024
Training and Development	PC	<ul style="list-style-type: none"> Lack of centralized data and evidence of training evaluations and outcomes 	<ul style="list-style-type: none"> Develop a centralized database to track and evaluate the effectiveness of training programs. 	December 2024
Job Security and Stability	MNC	<ul style="list-style-type: none"> Management of third-party workers is weak and lacks proper oversight and care. 	<ul style="list-style-type: none"> Establish and implement the system of third-party workers monitoring to ensure compliance with labor and working conditions. 	May 2025
Retrenchment	FC	<ul style="list-style-type: none"> None 	NA	NA
Working hours and overtime	PC	<ul style="list-style-type: none"> On-site interviews conducted in warehouses, gins, laboratories, fertilizer warehouses, tractor garages, car garages and other facilities showed that the overtime payments are not always paid, without any reasons not given to the workers 	<ul style="list-style-type: none"> Increase awareness of workers regarding payment processes (salary, benefits and deductions) and timelines. Establish clear channels for workers to inquire about their payment status and receive timely updates on any delays or issues. 	November 2024
Wages, benefits, disciplinary actions	MC	<ul style="list-style-type: none"> IAL has approved schedule of annual labour leaves, in agreement with the Trade Union and complies with article 228 of the New Labour Code. No violations of labour legislation were identified During FGDs participants provided cases when value of stolen or damaged facilities was fully withdrawn from workers salary which does not comply with national legislation (no more than 50% of salary). All violations identified during the inspection conducted in February 2023, by the Employment and Poverty Reduction Department of Syrdarya Region were eliminated on time. It was informed that all workers in IA receive more than the minimum 	<ul style="list-style-type: none"> Ensure that in case of total deduction from workers salary is not exceed 50% of monthly wage 	September 2024

		wage paid in the republic. On-site interviews with the employees working in the IAL did not identify employees who receive less than the national minimum wage		
Nondiscrimination and Equal Opportunity	MC	<ul style="list-style-type: none"> During on-site interviews and FGDs, no major instances of any discrimination against employees, customers, suppliers, service providers, or business partners were identified. In some facilities no changing rooms were available for females 	Ensure availability of changing room facilities for all employees (separate for male and females, toilets, rest rooms)	September 2025
Child and Forced Labour	FC	<ul style="list-style-type: none"> Negligible risk of child and forced labor among the Company's direct workforce. 	<ul style="list-style-type: none"> None 	
Trade unions and workers' rights	FC	<ul style="list-style-type: none"> TUs established in accordance with national legislation There is no restriction and limitation in operation of TUs from IAL management site. TUs participate in the development of the documents relevant to labour and working conditions 	<ul style="list-style-type: none"> None 	
Health Safety and Management System	PC	<ul style="list-style-type: none"> Lack of training materials specific to the logistic centre, gins Unclear procedure for internal inspection on quality control of conducted trainings. The HSE department were not able to explain their reporting lines. Local experts in chemical warehouses, could not explain the procedure of action in emergency situations. the seasonal workers did not use PPEs during the work with chemicals (carry bags). Third-party workers operating in offices, warehouses, cotton mills, laboratories, fertilizer warehouses, tractor garages, car garages and other facilities in logistics centres of the IAL are not introduced with fire safety, first aid, emergency response plan and equipment safety. 	<ul style="list-style-type: none"> Improve the existing training materials for, including gin, cotton and agricultural relevant activities, with proper implementation Develop internal audit schedules of HSE implementation verifications and a quality control system Communicate the annual training calendar to all staff. Provide all PPEs based on sanitary and health norms RUz 	<p>May 2025</p> <p>December 2024</p>

		<ul style="list-style-type: none"> Various types of fertilizers are carried out without protective in the warehouse. 		
Occupational Health and Safety	PC	<ul style="list-style-type: none"> Serious violations of safety precautions when operating machinery in the company on sites, Most of the local staff lack knowledge of using PPEs. Local specialists did not use PPEs to protect from noise impact 	<ul style="list-style-type: none"> Conduct quarterly internal audits on the implementation of health and safety measures Establish monitoring and penalty systems for failure to use PPEs and comply with safety requirements. 	December 2024
Infrastructure, Building, and Equipment Design and Safety	PC	<ul style="list-style-type: none"> The monitoring revealed that not all buildings and premises had fire prevention equipment and evacuation schemes. In chemical warehouse, EHS information boards and rules have not been translated into Uzbek. 	<ul style="list-style-type: none"> Develop an emergency safety management plan. Install special emergency sirens in all facilities in Syrdarya and Kashkadarya. Translate all banners on EHS into Uzbek. 	February 2025
Hazardous Materials Safety	MNC	<ul style="list-style-type: none"> Improper storage and handling of hazardous materials. 	<ul style="list-style-type: none"> Develop and implement an action plan for handling and storage hazardous materials. Provide instructions on working with hazardous materials, including all types of PPE. 	November 2024
Emergency Preparedness and Response	PC	<ul style="list-style-type: none"> Gins did not have evacuation plans, detailed instructions for emergency response 	<ul style="list-style-type: none"> Develop and implement a detailed emergency plan, especially for the cotton storage area, and conduct training 	September 2024
Nano Unit Contractors	PC	<ul style="list-style-type: none"> During FGD NUCs in both provinces noted that they did not have option to read draft versions of contract carefully before signing. At the same time, the minority NUCs participated in FGDs confirmed that they did read the contract terms and discussed them with IAL NUCs have to incur additional expenses for re-doing works, when deadline and acceptance for work are not met. However, these costs are not considered for reimbursement by IAL. 	<ul style="list-style-type: none"> When selecting NUCs, apply the procedures for hiring legal entities rather than the procedures for selecting individuals or seasonal workers (Tendering process to be experimented) Do not engage in the practice of hiring or working without a signed contract and ensure that contracts are signed with detailed technical specifications. Strictly comply with agreed NUC contract terms related to acceptance/rejection of completed field works. 	December 2024

		<ul style="list-style-type: none"> • The NUC contract terms state they are in charge for providing all necessary equipment, transportation, temporary rest areas for the third-party field workers and PPEs. However, there is no budget for these expenses in the contract. • After NUCs are dismissed, they are not aware of how to close an LLC according to national legislation. • 	<ul style="list-style-type: none"> • Prepare a draft NUC contract and finalize after disclosures and discussions with NUCs. • Revise contracts with NUCs to ensure inclusion of all necessary provisions for OHS implementation and PPE for workers. • Ensure full compliance with agreed NUC contract terms and follow transparent mechanisms for incentive provision. • Provide legal support to NUCs with whom contracts were not concluded for the following year on proper closing of LLCs. 	<p>December 2024</p>
<p>Contract Farmers</p>	<p>PC</p>	<ul style="list-style-type: none"> • Around 70% -80% of farmers in the FGDs reported that the terms of the agreement were not negotiated with them by IAL, and their suggestions and objections were not considered. • Some contract farmers mentioned that in 2022, they were paid 7 months later than the deadline specified in the contract. • Farmers reported that the fertilizers supplied to them by IAL in 2023 were of unsatisfactory quality (expired). 	<ul style="list-style-type: none"> • Ensure that all terms of contracts are negotiated transparently with farmers. • Guarantee timely payments to farmers as per the terms specified in contracts, • Enhance financial transparency by providing detailed explanations for any delays in payments. • Implement stringent quality control measures to ensure that fertilizers and other agricultural inputs supplied by IAL meet required standards and have adequate shelf life. • Conduct regular inspections and quality tests on all input materials 	<p>Till next contracting period (as per the new national guidelines)</p>
<p>Third Party Workers</p>	<p>MNC</p>	<ul style="list-style-type: none"> • NUCs do not provide third-party workers with the necessary work tools, working conditions (food, toilet, drinking water, etc), or the timely payment of wages and other benefits and this is not monitored by IAL • There are no separate dressing rooms for third-party female workers working in the accommodation facilities intended for foreign employees • Third-party workers do not have sufficient information about workers' 	<ul style="list-style-type: none"> • Establish comprehensive ethical guidelines for third-party workers regarding wages, benefits, working conditions, to ensure fair treatment and compliance with labour standards. • Offer comprehensive training and capacity-building support to third-party workers to enhance their understanding of and compliance with ethical standards and legal requirements related to wages, benefits, and working conditions. 	<p>March 2025 and Ongoing</p>

		<p>compensation insurance or compensation benefits paid by IAL to workers injured in an accident.</p> <ul style="list-style-type: none"> • The terms of the contract are not fully explained to the third-party workers, and they are only given a contract to sign. • IAL does not supervise the rights of third-party workers, the terms of the employment contract concluded with them, and the actual fulfilment of the terms of the contract. • Most of the workers are afraid to openly express their opinions, complaints and objections in the work process, knowing that there is a high probability that the employment contracts concluded with them will be terminated 	<ul style="list-style-type: none"> • Work closely with labor authorities and regulatory agencies to ensure compliance with labor laws, and address any concerns related to working conditions or worker rights, reinforcing a commitment to upholding labor standards and protecting worker rights. • Implement feedback mechanisms where third-party workers can voice concerns, ask questions, and provide suggestions for improvement regarding their obligations and benefits, fostering transparency and accountability in the workplace. 	
<p>Grievance Redress Mechanism</p>	<p>MC</p>	<ul style="list-style-type: none"> • Most of the drivers, tractor operators, field workers, agronomists and some NUCs do not have full information on GRM and how to apply appeals. • The department's subordination to the HSE manager for working with appropriate appeals (proposals /complaints), which is not structured in the current organizational structure, harms the impartial consideration of workers' complaints regarding labor protection and technical safety and creates a conflict of interest. • Special boxes for leaving appeals have not been opened for a long time. • In several places special boxes for leaving appeals (suggestions/complaints) are installed under camera surveillance 	<ul style="list-style-type: none"> • Conduct regular training sessions or workshops for drivers, tractor operators, field workers, third-party workers, agronomists and NUCs to educate them about the GRM • Develop and distribute information materials, such as brochures or posters, detailing the GRM process. • It is advisable for employees working with appeals (suggestions/complaints) to be directly under the top management. • Prioritize the repair and maintenance of special boxes for leaving appeals at production zones to ensure accessibility and functionality. • Consider relocating the boxes to areas where they are not under camera surveillance to encourage open communication and trust in the GRM process. 	<p>September 2024</p> <p>September 2024</p>

ANNEXES

Annex 1: Report on the Study of Local Acts and Other Documents of FE IAL for compliance with Labor Legislation and Other Normative Acts

REPORT

On the Study of Local Acts and Other Documents of FE IAL for compliance with Labor Legislation and Other Normative Acts

Tashkent city

March 18, 2024

During the analysis, internal documents of FE IAL (hereinafter referred to as the "Company") were studied, including the CBA, Internal Labor Regulations, employment contracts and additional agreements thereto, as well as personnel and production orders regulating labor discipline and conditions provided to employees. The analysis aimed to identify the compliance of these documents with the requirements of labor legislation, as well as regulatory acts provided for by the Labor Code and international labor standards established by the International Labor Organization (ILO).

According to the Labor Code of the Republic of Uzbekistan, legal acts on labor include CBA; local regulations adopted by the employer in coordination with the trade union committee, local regulations, including individual legal acts, adopted by the employer within its authority.

Local regulations adopted by the employer in coordination with the Trade union committee, as well as those adopted by the Employer individually, must not contain provisions that worsen the position of the employee compared to the CBA.

A collective bargaining agreement - is a legal act on labor that regulates individual labor relations and directly related social relations within the organization and is concluded by Employees through their representatives and the Employer.

Based on the above,

1. The Collective Bargaining Agreement:

At the general meeting of the workforce of FE IAL, in accordance with decision No. 3 dated September 16, 2023, the Collective Bargaining Agreement for the period from 2023 to 2025 was approved. This agreement complies with the norms established in Chapter 8 of the Labor Code of the Republic of Uzbekistan and the company's employees are familiar with its contents. The CBA covers a wide range of points, including:

- norm, system and amount of labor remuneration, monetary remuneration, allowances, compensations, additional payments.
- mechanism for regulating labor remuneration based on price changes, inflation rate, performance indicators defined by the CBA.
- employment, retraining, professional development, conditions for the release of employees.
- duration of working hours, rest periods and holidays.
- improvement of working conditions and labor safety for employees, including women, persons with disabilities and persons under the age of eighteen, and ensuring environmental safety.
- benefits for employees combining work and training.
- voluntary medical and social insurance.

- the amount and timing of additional contributions by the employer to individual pension accounts of employees.
- control over the fulfilment of the CBA, responsibility of the parties, ensuring normal conditions for the functioning of the trade union committee.

Compliance of the CBA with international norms and ILO conventions:

- *Convention No. 29 on Forced or Compulsory Labor:* The CA does not contain elements of forced or compulsory labor, which is in line with the requirements of this convention.
- *Convention No. 87 on Freedom of Association and Protection of the Right to Organize:* The CA guarantees the right of everyone to freedom of association with others, including the right to form trade unions and to join trade unions for the protection of their interests.
- *Convention No. 98 on the Right to Organize and Collective Bargaining:* The CA provides for the principles of the right to organize and collective bargaining. Also, the Company adopted Order No. 67/03 of 4 April 2023 on a permanent bilateral commission on social and labor issues.
- *Convention No. 135 on the Protection of the Rights of and Opportunities for Employees' Representatives in the Enterprise:* the CA provides for measures to protect the rights of employees' representatives in the enterprise, which is in line with the principles of this convention.
- *Convention No. 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor:* The CA contains provisions aimed at preventing the worst forms of child labor, which is in line with the requirements of this convention.

Non-compliance with norms worsening the position of employees: In the process of studying the CA, no norms were identified that would worsen the position of employees in comparison with the legislation or other collective agreements.

Non-discrimination and forced labor: The CA do not contain norms that violate the requirements on the prohibition of discrimination in employment and occupation, as well as forced labor.

As a result of the conducted analysis, it can be concluded that the CBA of FE IAL complies with requirements of the labor legislation of the Republic of Uzbekistan, international norms and conventions of the ILO. It includes provisions aimed at protecting the rights of workers and preventing negative practices such as forced or child labor. Therefore, the presence of these measures in the collective agreement indicates that no cases of forced or child labor were detected during the on-site analysis.

2. Internal Labor Regulations

During the analysis, the company's Internal Labor Regulations were also examined, which were agreed with the Trade union committee and approved by the Employer on September 30, 2023.

These Regulations clearly define procedures in line with labor legislation, such as the process of hiring and terminating employment contracts with employees, as well as the rights, duties, and responsibilities of the parties to the employment contract. They also regulate issues related to working hours, rest periods, measures of encouragement and discipline, and other aspects associated with labor relations within this employer.

All employees undergo familiarization with the CBA and the Internal Labor Regulations during the hiring process.

3. Hiring Procedure for Employees

3.1 Local employees

When searching for and hiring employees, the Company actively co-operates with the Employment and Poverty Reduction Department to ensure compliance with job requirements. Also, when hiring employees, the age limit is observed and no cases of hiring minors were detected, as the Company, in accordance with the Law "On Employment", enters information on vacancies (positions) into the interdepartmental hardware and software complex "Unified National Labour System" (UNLS), where reports are submitted electronically to the Employment and Poverty Reduction Department of the relevant district by the 5th day of each month to attract labor force.

3.2 Foreign employees

There are also foreign employees who have confirmation (permission) of their labor activity in Uzbekistan.

4. Analysis of employment contracts

Depending on the nature of work, the following types of contracts are concluded with employees: permanent, fixed-term and seasonal contracts. The content of employment contracts complies with the basic conditions set out in article 104 of the Labor Code and includes the following terms and conditions - place of work, job function, start date, social benefits, terms of remuneration, term of the employment contract, if a fixed-term contract is concluded, working hours and rest period, annual paid leave, guarantees and compensations, as well as terms and conditions defining the nature of work and responsibility of the parties. All mandatory details are specified in accordance with article 107 of the Labor Code. All employment contracts are signed by the parties and issued to each employee in one copy, as evidenced by the employee's signature of receipt of the second copy of the employment contract on the employer's copy.

Since 2023, the Company has ceased using the civil-law contracts for service provision when hiring employees. Additionally, following the entry into force of the new Labor Code on May 1, 2023, additional agreements to existing employment contracts were concluded with each employee in accordance with the requirements of the new legislation.

Employees are familiarized with their **job descriptions** as outlined in article 25 of the Labor Code of the Republic of Uzbekistan.

5. Labor Leaves and Benefits

The company has approved schedule of **annual labor leaves**, which is agreed with the Trade union committee in compliance with the article 228 of the Labor Code of the Republic of Uzbekistan.

In order to support **social benefits**, the company provides allowances for employees during sick leave periods, maternity and childbirth leave, as well as childcare leave. Additional breaks for breastfeeding are provided, which are included in working hours and compensated at the average wage rate.

Employees also receive payment for overtime work in accordance with the conditions stipulated in the CBA. There have been no wage arrears identified and the company adheres to the minimum wage standards, ensuring that employees' salaries are not below the statutory minimum set by the legislation of the Republic of Uzbekistan as of the current date.

During the examination of the **employment contract termination documents**, no violations of labor legislation were identified. Termination of employment contracts is carried out in accordance with the

provisions of the Labor Code of the Republic of Uzbekistan, including articles 157 (mutual agreement of the parties), 158 (expiration of the term of the employment contract), 160 (employee's initiative) and other relevant provisions. On the day of termination of the employment contract, employees are issued labor books or an extract from the electronic labor book, along with a copy of the order regarding the termination of the employment contract.

In accordance with the Instruction "On the Procedure for Keeping Employment Records," registered by the Ministry of Justice of the Republic of Uzbekistan on January 29, 1998, No. 402, the organization maintains a book for receiving and accounting for employment records. According to the RCM dated December 5, 2019, No. 971, new employment contracts are entered into the interdepartmental hardware-software complex "Unified National Labor System" (UNLS) on the portal my.mehnat.uz. According to part 5 of article 127 of the Labor Code, information about hiring is recorded in the employee's employment record book and in the UNLS.

6. Disciplinary actions

The **application of disciplinary actions** complies with the norms of the Labor Code. Before applying of disciplinary sanctions on employees, explanatory statements are obtained, orders are correctly formalized, and employees are informed thereof.

In February 2023, the Employment and Poverty Reduction Department of Syrdarya Region conducted an inspection to ensure compliance with labor legislation. Based on the results of the inspection, a written recommendation was issued to eliminate the identified violations. On the part of FE IAL, the identified points were eliminated within the established timeframe.

The above-mentioned report is prepared based on the documents provided by the FE IAL and selectively reviewed documents.

Annex 2: Post assessment conclusion of State Labor inspection department of the Employment and Poverty Reduction ministry of the republic of Uzbekistan

Non-official translation

The State Labor Inspectorate under the Ministry of poverty reduction and employment of the Republic of Uzbekistan after reviewing and studying the documents of the FE “Indorama Agro” LLC specifically the CBA, internal labor regulations, employment contracts and additional agreements to them, HR and production orders, as well as other documents concerning labor relations between the employee and employer for compliance with labor legislation and other regulatory acts, in accordance with the Labor Code and ILO requirements, has made the following findings:

Upon examination of the provided documents, it was revealed that the CBA is effective for the period from 2023 to 2025. This CBA complies with the norms and requirements of Chapter 8 of the Labor Code of the Republic of Uzbekistan, and the company's employees are familiar with this document. The CBA covers norms, systems, and amounts of remuneration, monetary rewards, allowances, compensations, additional payments, mechanisms for regulating remuneration based on changes in prices, inflation levels, performance indicators specified in the CBA, working hours and rest periods, leave, improvement of working conditions and occupational safety for workers, including women, persons with disabilities, and persons under the age of eighteen, and ensuring environmental safety. The CBA also does not contain elements of forced or compulsory labor, which meets the requirements of the relevant convention, guarantees the right of everyone to freely associate with others, including the right to form and join trade unions to protect their interests, provides principles for the right to organize and conduct collective bargaining, and includes measures to protect the rights of workers' representatives at the company, which complies with the principles of the said convention. It contains provisions aimed at preventing the worst forms of child labor, which meets the requirements of this convention. No provisions that would worsen the position of workers compared to legislation or other collective agreements were found during the examination of the CBA. The CBA does not contain norms that violate the requirements prohibiting discrimination in labor and occupation, as well as forced labor.

The internal labor regulations clearly define procedures that comply with labor legislation, such as the process of hiring and terminating employment contracts with employees, as well as the rights, duties, and responsibilities of the parties to the employment contract. They also regulate issues related to the work schedule, rest periods, measures of encouragement and penalties, and other aspects related to labor relations with the employer.

The contents of the employment contracts comply with the requirements of article 104 of the Labor Code and include the following conditions: place of work, job function, start date of work, provision of social benefits, conditions of remuneration, term of the employment contract if a fixed-term contract is concluded, work and rest schedule, labor leave, guarantees and compensations, as well as conditions determining the nature of work and the responsibilities of the parties. All mandatory details are specified in accordance with article 107 of the Labor Code. All employment contracts are duly formalized, signed by both parties, and each employee is given a copy, as evidenced by the employee's signature on the employer's copy acknowledging receipt of their copy of the employment contract.

Since 2023, the company has not used the format of civil law contracts for the provision of services for hiring workers.

The company has approved a schedule of annual labor leave for 2024, which is agreed upon with the Trade union committee, indicating compliance with the norms of article 228 of the Labor Code of the Republic of Uzbekistan.

No wage arrears were found, and the company complies with the minimum wage norms, meaning the employees' wages are not lower than the minimum wage established by the legislation of the Republic of Uzbekistan as of the current date.

Termination of employment contracts is formalized in accordance with the norms of the Labor Code of the Republic of Uzbekistan, including articles 157 (mutual agreement of the parties), 158 (expiration of the employment contract), 160 (initiative of the employee), and other reasons. On the day of termination of the employment contract, employees are issued workbooks or an extract from the electronic workbook and a copy of the order on termination of the employment contract.

In accordance with the Instruction "On the Procedure for Maintaining Work Books," registered by the Ministry of Justice of the Republic of Uzbekistan on January 29, 1998, No. 402, the organization keeps a register of receipt of work books and based on the resolution of the Cabinet of Ministers dated December 5, 2019, No. 971, newly concluded employment contracts are entered into the interdepartmental hardware-software complex "Unified National Labor System" (UNLS) (my.mehnat.uz) and, in accordance with part 5 of article 127 of the Labor Code, information on hiring is entered into the employee's work book and UNLS.

Based on the examination, it was found that the provided documents comply with labor legislation norms and do not contradict the requirements of ILO Conventions.

-- End of Report --