

Environmental and Social Compliance Audit Report

Project Number: 56258-001
March 2023

Uzbekistan: Indorama Climate-Resilient Farmer Livelihood And COVID-19 Recovery Project

Prepared by the Simonyan Consulting, Inc. for the Asian Development Bank.

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ENVIRONMENTAL AND SOCIAL COMPLIANCE AUDIT REPORT

INDORAMA CLIMATE-RESILIENT FARMER LIVELIHOOD AND COVID-19 RECOVERY PROJECT

INDORAMA AGRO

UZBEKISTAN

Prepared for: Asian Development Bank

DATE: March 2023

SUMMARY OF THE KEY AUDIT FINDINGS AND RECOMMENDATIONS

FE “Indorama Agro” LLC (IAL, the company) is proposing for the financing of the Indorama Climate-Resilient Farmer Livelihood and COVID-19 Recovery Project. The loan amount is up to \$[15] million senior unsecured 2-year Sustainability-Linked Loan (SLL) with bullet repayment, including the possibility to rollover the loan for another 2-year term at ADB’s discretion. Both, IAL and contract farmers require incremental working capital due to increased input prices caused by the Russian invasion of Ukraine and to support recovery from the COVID-19 pandemic. The proceeds of the loan will be used by IAL’s to prefinance cotton and wheat contract farmers. The loan will support food security and help sustain farmer livelihoods in Uzbekistan.

The company’s commitment and capacity to fully meet SPS requirements require assessment and confirmation before approval. As such, IAL (as a Borrower), on behalf of the Lender (ADB) commissioned an external Environmental and Social Consultants team (E&S Consultant) to undertake the review of environmental and social management process and procedure of IAL including review of relevant IAL documents and to assess the Project’s compliance with the environmental and social provisions of the applicable laws and regulations in Uzbekistan, requirements of ADB’s SPS (as well as IFC relevant EHS Guidelines) and other applicable ADB Policies. Based on the review, gaps were identified with corresponding required mitigation measures or corrective actions, all indicated in a Corrective Action Plan which IAL committed to implement on agreed timeline to close out the identified gaps and ensure compliance with the applicable standards.

The audit was conducted during October 14-29, 2022, and was based on documents and reports made available by IAL, meetings/calls with IAL, and observations and interviews by the E&S Consultant team during the site visits. The report provides description of the regulatory and management framework, IAL’s E&S¹ arrangements, an assessment of the company’s management capacity, contractors’ E&S performance and observations made by the E&S Consultant team during site visits.

While the audit looked into the overall E&S performance of IAL, focus of the review is on the contract farming operations where ADB loan will be used.

Key findings are summarized as follows:

1. Compliance with the Lender’s Requirements. IAL is compliant with the IFC and EBRD requirements to prepare an Environmental and Social Impact Assessment (ESIA) package for Cotton Farming Project and disclosed on December 2020 on IFC and EBRD’s website. The ESIA was undertaken in line with the environmental and social policies and performance requirements and standards of IFC and EBRD.

2. Compliance with the GoU requirements. IAL is also compliant the GoU’s environmental protection requirements through preparation of the Environmental Impact Statement (ZVOS) for each site, as well as obtaining the Conclusions from SCEE for all the facilities. For part of the facilities (category II and III), in addition to above-mentioned documents, the Statement on Environmental Consequences was obtained from SCEE prior to commencement of operation.

3. BCI and ISO Certifications. IAL is in process of obtaining BCI and ISO certifications. IAL just completed the BCI Audits on 2022 and ISO (ISO 9001, ISO 14001, and ISO 45001) internal audits

¹This covers Environmental, Health and Safety, Social and Gender aspects.

across all facilities. The BCI and ISO IMS scope covers only direct farming operations. These certifications and accreditation will require periodic monitoring and reporting to measure and analyze relevant processes and record results.

4. Air Quality and Emission. IAL's owned vehicles and machinery used on the site have regular maintenance and repairs. The vehicles, equipment, garage, and repair areas looked well-maintained, no black smoke or unnecessary idling equipment was observed. The internal roads within facilities are mostly paved or covered by gravel to reduce the generation of dust. The cotton and hay bales are covered with polyethylene covers to minimize dust generation, and wheat collection and most of the cotton collection undertaken by IAL is mechanized.

5. Water Supply for Drinking and Irrigation Purpose. The water tanker trucks are delivering the water to IAL facilities to fill/refill the large water tanks installed in the sites – water from these tanks is used for sanitation and hygiene only (not for drinking). Bottled drinking water is delivered to IAL sites. Amu Darya and Sir Darya rivers are the main water source for irrigation of the fields. The irrigation system includes the main water draw-off facilities, main, distribution and watering canals, watering machinery and equipment, and lock-weir and drainage networks.

6. Wastewater Management. No process wastewater is generated during cotton and wheat production operations. Wastewater generated during IAL operations includes: (i) run-off from rainfall; (ii) sewage from sanitation facilities; (iii) wastewater from washing agricultural and other machinery, contaminated with oil and petroleum products; and (iv) contaminated wastewater generated from chemicals mixing area and washing of containers used for chemicals. The wastewater generated in the toilets, showers, sinks flows into the concrete reservoir and is periodically pumped out into tanker trucks and removed from the site. Similarly, the wastewater generated from car/machinery wash areas (contaminated with oils and other petroleum products) is collected in another reservoir and removed periodically, if not evaporated. In addition, the wastewater generated in chemicals mixing areas and from washing the containers used for chemicals is collected in a separate reservoir. The wastewater from reservoirs is pumped out into tanker trucks and removed from the site by a relevant state entity or a specialized contractor(s) approved by the state entity. Farm depots are equipped with stormwater collection and mechanical wastewater treatment systems and operate within the guidelines embedded in the design.

7. Noise and Vibration. According to IAL all equipment is regularly serviced and maintained so that the effectiveness of any noise mitigation incorporated within the design of all components does not significantly decrease over the operational life of the items. In addition, the employees working at the gins and other areas with significant noise levels are required to use PPE including hearing protection equipment. The noise from field leveling, canals cleaning and reconstruction is not expected to cause any significant impact on local communities, as the activities will be conducted in or along the fields and will be temporary in nature.

8. Waste Management. Waste bins for different categories of waste are available at all sites. The containers for domestic waste, recyclable waste and scrap metals were observed, along with the separate areas established for hazardous waste (used oil and chemical drums, leftover chemicals, and containers used to store the chemicals). No burning of waste was noticed. The agreements are signed with the relevant state entities or contractors approved by such state entities to organize transportation and disposal of waste at the approved sites. Usually, these contracts are signed for one year and are renewed on annual basis. The waste disposal is carried out based on the amount of waste generated on the sites (once a sufficient amount of waste is generated, the IAL requests the contractor to take it out for disposal). It shall also be noted that IAL started bio composting, which allows for minimizing the agricultural waste (leaf material, roots,

and other plant parts), and shifting to a more sustainable fertilization process.

9. Dedicated storage areas are established at IAL sites. The materials and supplies are stored in large warehouse facilities, where dedicated storage areas are established for different types of supplies. The warehouse facilities are located inside separate buildings, away from common areas, and have impermeable floor lining/pavement. The storage sections for different supplies are clearly labelled. Separate areas are allocated for storage of oils and tires, as well as chemicals. The banners on safe handling of chemicals and special precaution measures to be followed are displayed in warehouse areas. Separate bins with spill kits were observed in all visited storage facilities. The workers dealing with hazardous materials were provided with special training and wearing appropriate PPE (on one of the sites in Sirdarya the employee demonstrated the special PPE). No spills of oils or chemicals were observed in the premises of storage facilities. Separate areas in Fazli, Nuriston, Toirov dedicated to diesel fueling stations (fueling station is under construction in Istiqlol) were observed. The agricultural machinery of IAL is fueled on-site (at the fueling station). In addition, IAL uses a fleet of special fuel tanker trucks to deliver fuel to the equipment and machinery working in the fields and carry out their refueling on an as-needed basis minimizing interruptions of productive work. No petrol or gas refueling is carried out, and all the vehicles that use these types of fuel are fueled off-site at commercial gas stations.

10. Pesticide Use and Management. IAL has existing Agro Pesticides Management Policy and Pesticides, Defoliant and Fertilizers Management Plan (updated version to be aligned with FAO's International Code of Conduct on the Distribution and Use of Pesticides) applicable to all IAL operations. Agro Pesticides Management Policy, aimed at protecting biodiversity and minimizing adverse effects of pesticides on the environment (water, soil, and air) and on human health, as well as the SOP on Restricted Entry Interval for Agro Chemicals Application in Agriculture Fields. The purpose of which is to create awareness of chemicals used in agricultural fields for cereal and cotton crops. The definition of Restricted Entry Interval (REI) is included in SOP, and represents the period that agricultural workers, or anyone else, must not do hand labor in treated areas after a pesticide has been applied. This is to allow residues and vapors to dissipate to safe levels for work to be performed. The REI can range from 12 hours to several days. In 2022 IAL and contract farmers used 36 types of chemicals, including fertilizers, pesticides, defoliant as presented in the List of Chemicals and Pesticide. This list provides pesticides rating in accordance with the WHO classification² and includes 19 chemicals of class II (moderately hazardous). The remaining chemicals are either of class III (slightly hazardous) or class U (unlikely to present acute hazard). Updating of the list of the chemicals and pesticides is on-going. In addition, IAL is also committed to phasing out the use of class II pesticides (gradual reduction on use of chemicals) for its corporate farming operations as well as contract farmers.

11. Reduction the Quantity of Chemicals and use of Biopesticides. IAL mentioned that they are continuously reducing the quantity of used chemicals from year to year. In addition to above, they also introduced IPM (Integrated Pest Management) approach to consciously reduce the agrochemicals consumption and use more of biological agents. In direct farming for cotton crop, they have reduced our chemical usage by >85% (taking 2020 as the base) through a phased approach. For direct farming, IAL currently uses biological beneficial insects namely Trichogramma, Green lacewing & Bracon as a biological control, along with the Biopesticides, namely Bt powder (*Bacillus thuringiensis*) & BW (*Beauveria bassiana*), for cotton pest control, and in future IAL will also add use of *Verticillium lecanii* for sucking pest control. IAL is committed to increase the use of biologicals agents year over year.

² <https://www.who.int/publications/i/item/9789240005662>

According to IAL, the rates of fertilizer and pesticides application in the fields are calculated to produce the best crop yield with minimum application of the chemical and are within the limits recommended by producers. This measure is intended to reduce wash-out of fertilizers and pesticides into the drainage canals and to minimize the impact on the recipient water bodies. Actual application of fertilizers and pesticides /herbicides in the fields is carried out by tractors and sprinkler systems, using vertical sprayers that dispense the solution down to the plants and soil surface, so aerosols settle on vegetative parts of plants or soil surface.

12. Health and Safety Policy. IAL stated the commitment to the goal of zero harm and no accidents at workplace and emphasizes that the health and safety of our employees, service providers, and any other person who may be impacted by IAL's operations are of paramount importance. The Health and Safety Policy is complemented by a detailed SOP on Personal Protective Equipment (PPE). The SOP describes the requirements of PPE for the on-site construction and production operations. It is mandatory and applies to IAL construction and production operations and managed sites, including its contractors. The SOP specifies the minimum requirements of safety devices and special tools (safety helmets, gloves, safety belts, well-supported ladders, hand tools kit, first aid kit containing dettol, bandage, burnol, cotton, painkiller pills). The appropriate PPE is selected based on the protection level required for the work: (i) Level A: PPEs are selected when the greatest level of the skin, respiratory, and eye protection is required; (ii) Level B: PPE are used when the highest level of respiratory protection is necessary, but a lesser level of skin protection is needed; (iii) Level C: the concentration(s) and type(s) of airborne substance(s) is known and the criteria for using air-purifying respirators are met; (iv) Level D: a work uniform affording minimal protection: used for nuisance contamination only.

13. PPE for Employees. Confirmation that PPE is provided to employees in accordance with their work type. Banners with health and safety instructions (including on the correct use of PPE) were observed in multiple areas at the sites. During the site visits the employees overall were using PPE, however in some areas prone to significant noise impact it was noticed that some of the employees do not wear proper ear protection (plugs) – they claimed that plugs prevent them from hearing their colleagues. In a few cases, it seems that employees were not using uniforms (shirts, etc.). In a few other cases, it was noticed that some employees were wearing helmets on top of baseball caps, which may reduce the functionality of the suspension, resulting in helmet failure. Visitors of IAL facilities are also provided with brief health and safety training as well as are equipped with appropriate PPE.

14. Medical Team. Medical personnel (paramedics and nurses) is available on the site 24 hours a day during gin operation. During the off-season period the medical personnel operates at 50% capacity and only on working days (daytime). The medical station includes all relevant medicines and supplies for the provision of first aid. Medical staff maintains the lists of available medication and supplies, to make sure that sufficient medicine and supplies are available and monitor the status of their expiry. They also undertake the daily check-up of drivers (blood pressure and breathalyzer test to check blood alcohol concentration) and maintain the log with appropriate records (separate record books are maintained for various groups of employees). All of the employees are provided with annual medical checkups or on-site checks, however, the staff that deals with sanitary-hygienic works (cleaners, etc.) are provided with semi-annual medical checkup. The medical personnel in each facility maintains the medical record book for every worker. IAL also maintains the contracts with nearest hospitals in both regions, and in the case of serious injury the IAL will contact the hospital and the ambulance will approach the site to take the injured person to the hospital. Usually, district hospitals are considered for the provision of further medical assistance and treatment, however in case of very serious issues, the injured

persons will be delivered to other specialized hospitals.

15. Fire Prevention Measures. All IAL facilities are equipped with automatic fire suppression systems, alarm systems, and smoke detectors. Firefighting staff is permanently available at each site. Firefighting kits (with firefighting equipment, such as blanket, hose, axe, etc.), as well as multiple fire extinguishers were observed during the site visits. The equipment was regularly checked and in many kits the date of the last inspection was marked. Regular monitoring is undertaken by the HSE unit, in addition, periodic inspections are undertaken by state entities and relevant certificates (required in accordance with local legislation) are obtained/renewed, as needed. The Head of the HSE department mentioned that IAL has obtained a total of 85 certificates for fire and ecological approvals. The staff is provided with a training on fire and technical safety, provision of first aid. PPE is provided to employees depending on their type of work. A document with standard signs used by IAL for SDS information, PPE, precautions, warnings, fire hazards was shared for review. Maps of the structures with the evacuation route and exits were observed in number of facilities during the site visits.

16. IAL's Training Program. IAL developed a Contractor Training Policy to make the workplace accessible and provided to all employees and contractor workers. All contractors are required to be provided with appropriate training before starting an activity at the company site. The policy notes the provision of training to the contractors' workforce prior to operating at company sites, refresher training, and additional training in case of new hazards identified at the workplace (due to new substances, processes, equipment, and machines). The policy also mentions the importance of monitoring and evaluating training effectiveness to ensure adequate knowledge retention. IAL and IFC Advisory provide trainings to contract farmers. During the discussions the farmers mentioned the training modules on crop growing, pest control (delivered by an international expert) and on prohibition of involvement of forced labor and minors.

Key E&S gaps against the applicable standards are summarized as follows:

1. Finalization of ESMS and ESMPs and their alignment with policies and procedures. IAL presently has 17 policies and 5 procedures to address the E&S aspects of its operations IAL. Updating of IAL's existing Environmental and Social Management System (ESMS) including updating or preparation of 16 Environmental and Social Management Plans (ESMPs) are currently on going. An External E&S Consultant is engaged to support IAL with the development/update of these documents including ESMS implementation training and review. The first draft ESMS was reviewed which still require further development in some sections. An alignment will also need to be made between the requirements of finalized ESMS and ESMPs and IAL policies and procedures.

2. Proper central coordination and oversight on ESMS and ESMP implementation, E&S monitoring, and reporting. Based on the review of the draft ESMS and ESMPs, ESMS and ESMP implementation are spread among different departments. Review of the organizational structure (if needed) in accordance with the approved ESMS to ensure a clear structured corporate approach and proper central coordination and oversight over ESMS and ESMP implementation, E&S monitoring, and reporting.

3. Improvement of labor practices. Labor practices of IAL and contractors, in general, are compliant with the requirements of national legislation. IAL has a significant number of HR and labor-related policies and procedures that can be optimized through an updated set or handbook of HR policies). There is a need to update the HR policy to be in compliance with the new

Uzbekistan labor law once it enters into force. In addition, these policies are not referred to in the contracts with employees and contractors with only few provisions indicated. Items lacking include clearly specifying wage calculation and incentive provision approaches in all contracts, absence of retaliation for lodging a grievance, etc. In addition, IAL is working on cascading its policies and procedures to its contractors and subcontractors, and reviewing the contracts concluded by the contractors / subcontractors with their workforce (to be completed in 2023). Moreover, Collective Bargaining Agreements include a few provisions for workers aged between 16-18 years old, however IAL confirmed their commitment of not engaging minors (under 18 years old).

4. Improvement of GRM. IAL's existing internal and external Grievance Redress Mechanism (GRM) shall be improved to add a provision of feedback for anonymous grievances. In the meantime, IAL has previous experience with addressing anonymous grievance. Locations chosen for GRM boxes needs to be reviewed to ensure that boxes are placed in common and unmonitored areas where employees and workers can freely submit their grievances. These boxes should also be clearly marked to eliminate potential confusion with other existing boxes for other purposes.

5. Use of PPE. Health and safety risks to consider include insufficient use of PPE for hearing protection by the workers engaged in ginning facilities, as well as a few cases of unsafe use of PPE (helmets improperly worn).

6. Removal of spills. Oil and petroleum product spills were observed in some of the sites (in the car maintenance, car wash and fueling areas), as well as littering was noticed. Housekeeping in some areas to be improved by arranging separate changing rooms for female and male employees, as well as improving dining areas.

7. Pesticide use and management. Pesticides, Defoliants and Fertilizers Management Plan shall meet the ADB's SPS requirements on "Pesticide Use and Management" and follow the BCI Principle 1. The list of pesticides and chemicals being used by IAL for direct and contract farming is being updated. The chemicals and pesticides that are for "phase out" with reference to BCI's Criterion 1.4 to be identified and the procedures and indicative timeline about gradual conversion from chemical pesticides usage to use of bioagents for both direct and contract farming operations to be incorporated in the Pesticide, Defoliant and Fertilizer Management Plan. Regular training on pesticide handling, mixing, application (including through mechanical sprayers), and disposal of pesticide containers to be provided to contract farmers, and HSE Staff assigned to this task in close coordination with BCI and IFC Advisory Services Team.

8. Contracts with farmers. No specific policies related to the management of contract farming operations are developed; IAL key policies (such as Human Rights Policy, Code of Conduct Policy, Prevention of Sexual Harassment Policy, etc.) are applicable to contract farming arrangements, however the contracts do not include direct references to these policies. Contracts are based on the template. A Contract Farming Procedure or SOP to be developed to guide contract farming operations.

9. Support to contract farmers. Trainings are provided to farmers and are highly valued by them. In the meantime, the farmers requested additional trainings especially related to determining the quality of soil and quality of cotton, as well as other topics. Improve GRM to quickly respond to issues raised by contract farmers and cotton pickers. This could be done through weekly meetings with GRO and picker leaders. Ensure that PPE provided to cotton pickers is comfortable.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
CAP	Corrective Action Plan
CFL	Child Forced Labor
CSEE	Center for State Ecological Expertise
EBRD	European Bank for Reconstruction and Development
EHS/HSE	Environmental, Health and Safety
EIA	Environmental Impact Assessment
EIS	Environmental Impact Statement
E&S	Environmental, Health and Safety, Social and Gender
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
FAO	Food and Agricultural Organization
GoU	Government of Uzbekistan
ha	Hectare
HR	Human Resources
IAL, company	Foreign Enterprise Indorama Agro Limited Liability Company
IFC	International Finance Corporation
ILO	International Labor Organization's
LLC	Limited Liability Company
LRP	Livelihood Restoration Plan
E&S Consultant	Environmental and Social Consultants team
m	Meter
MPC	Maximum Permissible Concentration
Project	Indorama Climate-Resilient Farmer Livelihood and COVID-19 Recovery Project
PDO	Maximum Allowable Emissions
PDV	Maximum Allowable Waste
PR	Performance Requirement
PS	Performance Standard
REI	Restricted Entry Interval
RoU	Republic of Uzbekistan
SAESMR	Semi-Annual Environmental and Social Monitoring Report
SEE	State Environmental Expertise
SEP	Stakeholder Engagement Plan
SCEEP	State Committee of the Republic of Uzbekistan for Environmental Protection
SOP	Standard Operating Procedure
SPS	Safeguard Policy Statement (2009)
UNEP	United Nations Environment Program
WHO	World Health Organization
ZEP	Statement on Environmental Consequences
ZVOS	Environmental Impact Statement

1. PROJECT BACKGROUND

1. FE “Indorama Agro” LLC (IAL, company) is proposing for an Asian Development Bank (ADB) loan to finance the Indorama Climate-Resilient Farmer Livelihood and COVID-19 Recovery Project. The proposed loan amount is pp to \$15 million senior unsecured 2-year Sustainability-Linked Loan to finance incremental working capital required by its cotton and wheat contract farmers. Both, IAL and contract farmers require incremental working capital due to increased input prices caused by the Russian invasion of Ukraine and to support recovery from the COVID-19 pandemic.

2. The proceeds of the loan will only be used to prefinance cotton and wheat contract farmers. The loan will only be used for IAL’s contract farming operations and will support food security and help sustain farmer livelihoods in Uzbekistan.

3. The company’s commitment and capacity to fully meet SPS and other social requirements requires assessment and confirmation before the ADB’s approval. As such, an external Environmental and Social Consultants team (E&S Consultant) was commissioned to undertake the review and assessment of IAL’s environmental and social management processes and procedure, assess the Project’s compliance with the environmental and social provisions of the applicable laws and regulations in Uzbekistan, requirements of ADB SPS (including relevant IFC EHS Guidelines). Based on the review, gaps were identified, and corresponding mitigation measures were identified. A Corrective Action Plan which IAL commits to implement was prepared to close out gaps with national and ADB requirements.

2. OBJECTIVES AND SCOPE OF THE REPORT

4. This report presents the outcomes of the review of environmental and social safeguard documentation and visits to projects areas to assess IAL’s compliance with the environmental and social provisions of the applicable laws and regulations of the Republic of Uzbekistan pertaining to environment, health, safety, social and labor, and requirements of ADB Safeguards and Social Policies (Safeguard Policy Statement (2009³), SPS), other social policies such as the Social Protection Strategy (2001), Gender and Development Policy (1998), and Access to Information Policy (2019), as well as IFC relevant Environmental, Health, and Safety (EHS) Guidelines. Based on these, compliance gaps were identified including mitigation measures all summarized into a Corrective Action Plan (CAP) which IAL commits to implement at agreed timeline to close out gaps with national and ADB requirements. In addition, the report also addresses the compliance with relevant international treaties to which Uzbekistan is signatory and relevant International Labor Organization’s (ILO) Core Labor Standards Conventions.

5. The audit covered the overall operations of IAL in Kashkadarya and Syrdarya regions, with a focus on its contract farming operations in Kashkadarya region where ADB loan proceeds will be used.

6. The proposed corporate loan transaction is a corporate finance, and the Environmental and Social Management System audit is carried out at the corporate and site level with focus on contract farming operations of IAL. The audit’s scope includes the following:

- (i) Assessment of the client’s ability to manage and address all relevant social and environmental risks and impacts of its business and operations;

³ ADB Safeguards Policy Statement, 2009
(<https://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf>).

- (ii) Assessment of the client's compliance record with applicable laws and regulations of the jurisdictions in which the project operates that pertain to environmental and social matters; and
- (iii) Identification of the company's main stakeholder groups and current stakeholder engagement activities.

7. The scope of this Environmental and Social Compliance Audit Report covers the audit conducted at two levels:

- Corporate audit of IAL's environmental and social (E&S) procedures and practices equivalent to Environmental and Social Management System requirement of ADB; and
- Environmental and social compliance audit of the company's existing facilities and the past and current performance against the objectives, principles, and requirements of ADB's SPS (2009), Social Protection Policy (2001), Policy on Gender and Development (1998), and Access to Information Policy (2019). The independent professional assessment of the IAL's E&S performance was carried out. The audit involved site visits, document review, and discussions with IAL's concerned staff and relevant stakeholders.

8. Within its scope, the independent third-party audit assessed the capacity of IAL to manage and address all relevant environmental and social impacts and risks of its operations associated with the project. The audit included 4 tasks, covering (i) Data collection and review, including collection of all available E&S baseline data, review of the collected data to assess the various aspects of adequacy and effectiveness of the entity(entities) responsible for the E&S management for various stages of the Project; (ii) corporate audit of ESMS to assess adequacy in identifying and mitigating potential environmental and social risks and impacts, occupational and community health and safety and emergency response procedures, involuntary resettlement, land and right-of-way acquisition, impacts on ethnic minorities, and labor and working conditions; (iii) E&S compliance audit of IAL's existing cotton and wheat farmland and manufacturing / processing facilities' operation. At the end of the abovementioned three tasks, this Environmental and Social Compliance Audit Report is developed to identify gaps and to provide recommendations and corrective actions in the form on the Corrective Action Plan (CAP); (iv) upgrading or supplementing the ESMS (depending on the findings of the audit).

9. The site visits were carried out by E&S Consultants team from October 18 to 21, 2022, and on October 26, 2022. Discussions with key members of IAL staff and some of the contract farmers, cotton pickers, trade union, as well as representatives of regional authorities (khokimyat/hokimiyat), communities and residents in some of the areas of IAL operations were carried out during the site visits and through series of on online calls. The audit was undertaken from October 14 to October 29, 2022, and this E&S Compliance Audit Report is overall based on the observations made during the site visits, information provided by IAL and the E&S Consultant team's engagement with several IAL officers and staff/workers and local communities. A number of additional clarifications on observations was requested after the audit period to finalize the E&S Audit Report.

3. METHODOLOGY

10. The process of corporate audit and environmental and social safeguards due diligence included:

- Review of national laws and regulations applicable to the Project;

- Review of IAL's E&S policies, procedures and practices, policies, set of draft Environmental and Social Management Plans (ESMP), and draft Environmental and Social Management System (ESMS);
- Review of the relevant corporate documents, which provide information on how IAL's environmental and social procedures are adhered to at the visited facilities located in both regions;
- Review of environmental and social assessment related documents available for IAL operations, including (i) previous Environmental and Social Impact Assessment report (2020) and other documents included in its package, available environmental impact statements, conclusions of environmental expertise, statements of environmental consequences, any related permits and agreements etc.; (ii) land allocation background, documents for the land plots where facilities are located and lease documents for the areas under direct farming; (iii) indigenous peoples' plans, if any; and other social plans;
- Visit to a number of facilities located in Kashkadarya and Syrdarya regions, including visits to Kashkadarya cotton fields under contract farming, where the activities will be undertaken under the Project proposed to be financed by ADB;
- Discussions with (i) IAL management and key staff; (ii) representatives of IAL at the sites located in Kashkadarya and Syrdarya districts, (iii) informal interviews with stakeholders (employees of IAL, workers of contractors, contract farmers, cotton pickers, representatives of khokimyats, Trade Unions, communities and mahallas in the areas of IAL operations) on any concerns raised with IAL activities.

11. The collected information was analyzed to develop a better understanding of the current situation related to the Project. An assessment was made of whether the available procedures and documentation satisfy ADB requirements. Preliminary findings and observations made during the site visits and discussions were shared with IAL management at the debriefing session at the end of site visits. Parallel to the site visits, a series of online discussions was held with the key members of IAL staff. A list of key persons met/interviewed was compiled and presented in Annex I (the list does not include the names of the employees met during the site visits, as well as community, mahalla and khokimyat representatives, contract farmers and cotton pickers). The list of documents reviewed during the data collection and preparation of Environmental and Social Compliance Audit Report is presented in Annex II. Details of observations and findings are presented further in this report.

12. Limitations. During the audit (carried out from October 14 to 29, 2022), the representatives of E&S Consultant visited only some of the sites where IAL operations are conducted in Kashkadarya and Syrdarya regions. Meetings and discussions were also carried out with selected IAL employees, contractors, representative of Trade Union, farmers, cotton pickers, local community representatives, thus the views presented in this report are based only on the information collected during these site visits and meetings, as well as review of the documents provided by the Client. Most of the data was requested following the inception meeting. Further data and clarification requests have been made during the field visits, interviews with IAL representatives during the preparation and finalization of the audit report. Most of the data provided was available in English languages, while some of the documents were provided in Uzbek language (the latter data was reviewed by local members of the E&S Consultant team). This E&S Compliance Audit Report is based on the observations made and information collected during the audit period. Additional clarifications were provided by IAL beyond the audit period during preparation and finalization of this report.

4. REVIEW OF REGULATORY FRAMEWORK

4.1. APPLICABLE NATIONAL LAWS, REGULATIONS AND STANDARDS

13. The normative legal acts in the Republic of Uzbekistan include the following types⁴ presented by their hierarchy level:

- The Constitution of the Republic of Uzbekistan;
- Laws of the Republic of Uzbekistan;
- Resolutions of the chamber of Oliy Majlis (Parliament) of the Republic of Uzbekistan;
- Decrees and resolutions of the President of the Republic of Uzbekistan;
- Resolutions of the Cabinet of Ministers of the Republic of Uzbekistan;
- Orders and resolutions of ministries, state committees and departments;
- Decisions of local authorities.

14. According to the Law on Normative Legal Acts № ZRU-682 dated 20.04.2021 (last amended on 03.03.2022), normative legal acts may approve provisions, rules, instructions strategies, concepts, doctrines, programs (“road maps”) and other documents and that are an integral part of these acts.

15. The **Constitution of the Republic of Uzbekistan**⁵ (adopted on 8 December 1992 and last amended on 16 April 2014) states that “land, its minerals, waters, fauna and flora, other natural resources shall constitute the national wealth and shall be rationally used and protected by the state” (Article 55).

16. With respect to property ownership, Article 35 states “everyone shall have the right to own property”, and Article 54 adds “An owner, at his discretion, shall possess, use, and dispose of his property. The use of any property must not be harmful to the ecological environment, nor shall it infringe on the rights and legally protected interests of citizens, juridical entities, and the state”. In the meantime, Article 53, provides additional information on ownership rights and the basis for property acquisition, and states that “the economy of Uzbekistan, evolving towards market relations, is based on various forms of ownership. The state shall guarantee freedom of economic activity, entrepreneurship, and labor with due regard for the priority of consumers’ rights, equality, and legal protection of all forms of ownership. Private property, along with the other types of property, shall be inviolable and protected by the state. An owner may be deprived of his property solely in the cases and procedure stipulated by law.”

17. Constitution recognizes provision of the access to the health care system and duties of citizens in protecting the environment. In particular, Article 40 stipulates: “Everyone shall have the right to skilled medical care”, and Article 50 states “citizens shall be obliged to protect the environment”.

18. Constitution also recognizes the right to work and specifies “Everyone shall have the right to work, free choice of work, fair conditions of labor and protection against unemployment in the procedure specified by law. Any forced labor shall be prohibited except for punishment under the sentence of a court, or some other instances stipulated by law.” (Article 37). It also includes norms on entitlement to rest: “Citizens, working on hire, shall be entitled to a paid rest. The number of working hours and paid labor leave shall be specified by law.” (Article 38); and social security “Everyone shall have the right to social security in old age, in the event of disability and loss of the

⁴ <https://lex.uz/docs/5378968>

⁵ <https://constitution.uz/en/clause/index#section1>

bread-winner, as well as in some other cases specified by law. Pensions, allowances, and other kinds of welfare may not be lower than the officially fixed minimum subsistence wage.” (Article 39).

19. Constitution in its Article 35 guarantees the right to grievance redress: “Everyone shall have the right, both individually and collectively, to submit applications and proposals, and to lodge complaints with competent state bodies, institutions, or public representatives. Applications, proposals, and complaints shall be considered in the procedure and within the time-limit specified by law.” (Article 35).

4.1.1 ENVIRONMENTAL LEGISLATION AND REGULATIONS

A. Legal Framework for Environmental Assessment and Management

20. Laws in Uzbekistan, including environmental ones, are rather general and short, with many references to the issues to be addressed through subsidiary legislation. Decrees and resolutions of the President and resolutions of the Cabinet of Ministers are acts of subsidiary legislation that are extremely important in the context of Uzbekistan. They are adopted and amended much more dynamically than laws and often include not only the legal rules but also key policy directions and address major institutional and procedural changes. Uzbekistan’s legal framework in the field of environmental protection and environmental management is designed to ensure the rights and obligations of citizens enshrined in Articles 50 and 55 of the Constitution of Uzbekistan. The legal framework in the field of environment includes a large number of laws, Decrees of the President and Decrees of the Cabinet of Ministers of the Republic of Uzbekistan, and other by-laws and regulatory documents. The main relevant environmental laws are presented in table 1 below and briefly summarized further in this section of the report.

Table 1. List of key environmental laws

Law/regulation	Date of adoption	Date of last amendment
Law on Nature Protection	09.12.1992	12.10.2021
Law on Atmospheric Air Protection	27.12.1996	28.09.2020
Law on Water and Water Use	06.05.1993	01.12.2021
Law on Subsoil	23.09.1994	12.10.2021
Law on Waste	05.04.2002	15.11.2019
Law on Forestry	14.04.1999	30.09.2020
Law on Protection and use of flora	26.12.1997	12.10.2021
Law on Protection and use of fauna	26.12.1997	09.07.2020
Law on Protected Natural Areas	03.12.2004	30.09.2020
Law on Protection of Agricultural Plants from Pests, Diseases and Weeds	03.08.2000	26.04.2021
Law on Environmental Expertise	25.05.2000	29.04.2021
Law on Environmental Control	27.12.2013	17.08.2021
Law on Protection and Use of Objects of Cultural Heritage	30.08.2001	19.04.2018

21. **Law on Nature Protection**, № 754-XII dated 09.12.1992 (last amended on 12.10.2021). This law stipulates a legal, economic, and organizational foundation for the conservation of the environment and the rational use of natural resources. Its purpose is to ensure balanced relations between man and nature, to protect the environmental system, and to guarantee the rights of the population to a clean environment. Article 25 of this law states that State Environmental Expertise (SEE) is a mandatory measure for environmental protection, preceded the decision-making process. In addition, article 25 says that the implementation of the project without a positive

conclusion of SEE is prohibited. The law provides the legal basis for the environmental requirements for radioactive and chemical substances.

22. **Law on Atmospheric Air Protection**, № 353-I dated 27.12.1996 (last amended on 28.09.2020). It describes regulations on atmosphere protection and its objectives. It specifies standards, quality and adverse impact norms, requirements on fuels and lubricants, production and operation of vehicles and other transport means and equipment, ozone layer protection requirements, obligations of enterprises, institutions and organizations toward atmospheric protection, and compensations for damages from atmospheric pollutions. The main purpose of the law is to provide the legal basis for the production or the use of chemicals, defines their maximum allowable concentrations in the atmosphere, and ensures prevention and reduction of harmful chemical, physical, biological, and other impacts on air.

23. **Law on Water and Water Use**, № 837-XII dated 06.05.1993 (last amended on 01.12.2021). This law regulates the water relations, rational use of water by the population and economy. The law also regulates the protection of waters from pollution and depletion, and prevention and liquidation of harmful effects of water, improvement of water bodies and the protection of the rights of enterprises and institutions, organizations and dekhans and individuals in the field of water relations. This law also authorizes the State (through authorized agencies) to carry out management and control of water use and protection.

24. **Law on Subsoil**, № 2018-XII dated 23.09.1994 (new edition of the law №444-II dated 13.12.2002; new edition last amended on 12.10.2021). This law aims to ensure sustainable and integrated use of mineral resources to meet the needs of the mineral raw materials and other needs, protection of mineral resources, environment, safety of operations in subsoil use and protection of subsoil users, protection of the interests of individuals, society, and state. According to the Law, the monitoring of subsoil, which represents a system of observations of the subsoil to timely detect changes, assess, prevent, and redress the negative processes, is established (Article 18). Geological studies are permitted only after obtaining a positive conclusion of SEE (Article 25).

25. **Law on Waste**, № 362-II dated 05.04.2002 (last amendment 15.11.2019). It addresses waste management, exclusive of emissions and air and water pollution, and confers authority to the State Committee of the Republic of Uzbekistan for Environmental Protection⁶ concerning inspections, coordination, ecological expertise and establishing certain parameters with regard to the locations where waste may be processed. The Law specifies that citizens have the right to a safe and healthy environment, to participate in the discussion of projects, and to compensation for damage to their lives, health, or property. Dangerous waste that is transported domestically or internationally must pass ecological certification and be moved by special vehicles. The import of any radioactive waste for storage or burial is strictly forbidden. Although this is not specified in the Law, special privileges are given to persons and enterprises that develop and introduce technologies for reducing or recycling waste. Enterprises are responsible for their waste, but, if they recycle, they may be provided with assistance from the state budget, the National Fund for Nature Protection, or voluntary payments. The principal objective of this law is to prevent the negative effects of solid waste on people's lives and health, as well as on the environment, reduce waste generations, and encourage rational use of waste reduction techniques in household activities. The law regulates the procedures for treating solid waste and defines the authorities of various institutions involved in solid waste management. The law also stipulates the rules for transporting solid waste and provides market base incentives for efficient treatment of solid waste.

⁶ State Committee Ecology and Environmental Protection

26. **Law on Protection and Use of Flora**, № 543-I dated 26.12.1997 (new edition of the law № ZRU-409 dated 21.09.2016; new edition last amended on 12.10.2021). It regulates the protection and usage of flora growing in the natural environment, as well as in cultivation and its reproduction and conservation of the gene pool of wild plants. The Cabinet of Ministries of the Republic of Uzbekistan, local government bodies and special authorized agencies implement the law. The State Committee of the Republic of Uzbekistan for Environmental Protection (SCEEP) and the Head Department of Forestry under the Ministry for Agricultural and Water Resources Management are the special authorized agencies in flora protection and its usage. The Cabinet of Ministries of the Republic of Uzbekistan, local government bodies, SCEEP and Head Department of Forestry are responsible for implementing on the national level the administration of the law.

27. **Law on Protection and Use of Fauna**, № 545-I dated 26.12.1997 (new edition of the law № ZRU-408 dated 19.09.2016; new edition last amended on 09.07.2020). It defines the legal relationship aimed at regulating relations in the protection, use, restoration, and reproduction of fauna in order to ensure the conditions of its existence, preservation of species diversity, the integrity of natural communities and habitat. The choice of sites for all types of construction, pre-planning, design and project documentation, implementation of which may have an impact on the wildlife or its habitat and projects unit hunting and fishing, projects, work on acclimatization and hybridization of animal protection plants, dangerous to wildlife and its habitat is subject to the state environmental assessment.

28. **Law on Protected Natural Areas**, №710-II dated 03.12.2004 (last amended 30.09.2020). It regulates the organization, protection and use of protected territories and management of protected nature reserves or territories. The law establishes the categories and management of protected territories such as integrated (landscape) wildlife preserves, nature parks, state natural objects, areas for protection, conversion and restoration of certain natural and manmade objects and complexes.

29. **Law on Protection of Agricultural Plants from Pests, Diseases and Weeds**, №116-II dated 03.08.2000 (last amended 26.04.2021). This law provides a legal framework to ensure compliance with sanitary norms, rules, and hygienic standards, ensuring sanitary and epidemiological welfare of the population. Storage of plant protection products is permitted in specialized stores intended only for storage. Bulk storage of plant protection products is prohibited. Transportation of plant protection products is allowed only in specially equipped vehicles. Storage and transportation of plant protection products must comply with the requirements that exclude harm to public health and the environment. Neutralization, recycling, disposal, and burial of dilapidated and (or) plant protection products prohibited for use and their containers are provided in the manner prescribed by law. Methods of disposal of unusable and (or) prohibited to use plant protection products and their containers are developed by manufacturers of plant protection products and are aligned with the specially authorized body, the State Committee of the Republic of Uzbekistan for Nature Protection, the State Sanitary and Epidemiological Service of the Ministry of Health and the Ministry of Emergency Situations of the Republic of Uzbekistan. The Act covers the regulation of relations connected with protection of crops from pests, diseases, and weeds, preventing the harmful effects of plant protection products on human health, and the environment. The law defines the scope of the government bodies responsible for its implementation: the Oliy Majlis of the Republic of Uzbekistan, the Cabinet of Ministers, Ministry of Agriculture.

30. **Law on Environmental Expertise**, №73-II dated 25.05.2000 (last amended on 29.04.2021). It specifies the purposes, objectives, and types of environmental expertise. The law defines the qualifications, duties, and obligations of environmental experts. The State Committee of the Republic of Uzbekistan for Ecology and Environment Protection (SCEEP) has overall responsibility for implementing this legislation.

31. **Law on Environmental Control**, № ZRU-363 dated 27.12.2013 (last amended on 17.08.2021). The purpose of this law is to regulate relations in the field of environmental control. The main objectives of environmental control are: (i) prevention, detection and suppression of violation of the requirements of legislation in the field of environmental protection and rational use of natural resources; (ii) monitoring of the state of the environment, identifying situations that can lead to environmental pollution, irrational use of natural resources, create a threat to life and health of citizens; (iii) determination of compliance with the environmental requirements of the planned or ongoing economic and other activities; (iv) ensuring compliance with the rights and legitimate interests of legal entities and individuals, performing their duties in the field of environmental protection and rational use of natural resources.

32. **Criminal Code, Section 4. Environmental Crimes** (approved on 22.09.1994; amended on 16.02.2022). It specifies the concept and defines punishment for violation of the norms and requirements of environmental safety, willful concealment or misrepresentation of environmental pollution, violations in the use of flora and fauna, water, land, subsoil, protected areas.

33. In accordance with the **Code on administrative responsibility**, approved by the Law of the Republic of Uzbekistan No.2015-XII dated 22.09.1994, Violation of the rules of transportation, storage and use of plant protection products, growth stimulators, mineral fertilizers and other chemicals, which could cause soil pollution, pollution of water, air, or destruction of plants, wildlife is punishable by a fine on citizens from one-third to one minimum wage, and on officials – from one to three times the minimum wage. The same offense committed repeatedly within a year after the administrative penalty or caused contamination of soil, water, air, damage to flora and fauna, shall result in the imposition of a fine on citizens from one to three minimum wage, and officials – from three to seven the minimum wage. Neutralization banned and degraded chemicals without proper authorization, as well as violation of the conditions specified in the permit, shall result in the imposition of a fine on the officials from one to three times the minimum wage. The same offense committed repeatedly within a year after the application of an administrative penalty shall result in the imposition of penalty on officials from three to seven times the minimum wage.

34. **Law on Protection and Use of Objects of Cultural Heritage**, № 269-II dated 30.08.2001 (last amended on 19.04.2018). The law regulates the protection and use of cultural and archaeological objects; however, these relate more explicitly to the State measures for preservation, excavation, and use of objects of cultural heritage. The law is primarily aimed at the preservation and management of important elements of the built environment, but also addresses the protection of historical, archaeological, aesthetic, ethnological or anthropological territories, as well as natural landscapes connected with a historical event.

B. Institutional Framework for Environmental Assessment and Management

35. A range of government departments is responsible for the management and protection of the environment in Uzbekistan. The **State Committee of the Republic of Uzbekistan for Environmental Protection** (SCEEP) is the primary agency and environmental regulator responsible for implementing the Law on Nature Protection (1992). The committee reports to the Parliament and is accountable to the Cabinet of Ministers of the Republic of Uzbekistan. The main tasks of the SCEEP include ensuring the implementation of a unified state policy in the field of

environmental safety, environmental protection, use and reproduction of natural resources; the implementation of state control over the observance by ministries, state committees, departments, enterprises, institutions and organizations, as well as individuals, in the area of the use and protection of land, mineral resources, water, forests, flora and fauna, atmospheric air; interdisciplinary integrated environmental management; and organization and coordination of work to ensure a favorable state of the environment and improve the environmental situation. The SCEEP structure includes a central body in Tashkent with regional branches and agencies providing scientific and technical support. Regional environmental authorities are structures organized similarly to the central SCEEP.

36. The activities of the **Center for State Ecological Expertise (CSEE)** are directly related to the consideration of materials for environmental impact assessment and the issuance of a document on determination of the compliance of the planned or ongoing business and other activities with the environmental requirements and determination of the admissibility of the implementation of the object of environmental expertise.

37. Other state bodies of the Republic of Uzbekistan (RoU) dealing with environment-related issues are:

- Ministry of Water Resources;
- State Committee for Geology and Mineral Resources;
- Centre of Hydro-Meteorological Service;
- Ministry of Health;
- State Inspectorate for Exploration Supervision, Operations Safety Supervision of Industry, Mining and Utilities Sector;
- Ministry of Culture;
- Ministry of Emergency Situations, etc.

38. **Ministry of Water Resources** is responsible for water allocation among different users within the Republic of Uzbekistan. Based on the forecast and limits provided by Interstate Commission for Water Coordination, water is allocated among users with the priority given to the drinking water supply sector⁷.

39. **State Committee for Geology and Mineral Resources:** (i) carries out, together with Geological Survey Services of the neighboring countries, the works on identifying and studying the focal points of radioactive and toxic pollution within transboundary territories, prepare geological maps and atlases reflecting especially hazardous zones and sections; (ii) in accordance with the procedure established by legislation, exercises control over the protection of geological and mineralogical facilities as well as underground water from pollution and depletion.

40. **Centre of Hydro-Meteorological Service** establishes and maintains the state hydrometeorological fund of data, the state fund of data on environment pollution, state accounting of surface waters; systematic observations of air, soil, surface water, as well as formation and development of disastrous hydrometeorological phenomena.

41. **Ministry of Health** develops and approves sanitary regulations, rules, and hygienic standards, carries out state sanitary supervision over their observance as well as methodological

⁷ Law of RoU On Water and Water Use, № 837-XII dated 06.05.1993 (chapter 8, para 25); and Law on incorporating amendments and additions into the Law of the Republic of Uzbekistan on Water and Water Use, № ZRU-733 dated 30.11.2021.

supervision of the work of sanitary and epidemiological services, regardless of their departmental subordination.

42. **State Inspectorate for Exploration Supervision, Operations Safety Supervision of Industry, Mining and Utilities Sector** works together with the SCEEP, and carries out control in the field of geological investigation, use and protection of subsurface resources.

43. **Ministry of Culture** is a body of the Government of Uzbekistan that is responsible for state policy in cultural spheres, art, cinematography, archives, and inter-nation issues.

C. Environmental Assessment Procedure of Uzbekistan

44. The national environmental impact assessment (EIA) procedure is regulated by the Law "On the Environmental Examination" and the Resolution of the Cabinet of Ministers № 541 "On further improvement of Mechanism of the Environmental Impact Assessment dated 07.09.2020 (last amendment № 774 dated 27.12.2021). The Resolution specifies the requirements for EIA process in Uzbekistan. According to the resolution, the SEE is a type of environmental examination carried out by specialized expert divisions to set up the compliance of the planned activities with the environmental requirements and determination of the permissibility of the environmental examination implementation.

45. The authorized state body in the field of state environmental expertise is the SCEEP. The SEE is carried out by the three specialized expert divisions of the SCEEP:

- Center for State Ecological Expertise (CSEE) of the SCEEP carries out the state environmental examination of EIA of the objects of economic activity classified as the I and II categories of environmental impact (high and medium risk);
- Center for State Ecological Expertise of the Republic of Karakalpakstan carries out environmental examination of EIA of the objects of economic activity classified as the III and IV categories of environmental impact (low risk and local impact);
- Center for State Ecological Expertise of regions and Tashkent city - carries out environmental examination of EIA of the objects of economic activity classified as the III and IV categories of environmental impact (low risk and local impact).

46. The law stipulates four categories of projects as follows:

- Category I — “high risk of environmental impact” (state environmental expertise is conducted by the national SCEEP within 20 days, all EIA materials are required);
- Category II — “medium risk of environmental impact” (state environmental expertise is conducted by the national SCEEP within 15 days, all EIA materials are required);
- Category III — “low risk of impact” (state environmental expertise is conducted by regional branches of SCEEP within 10 days, all EIA materials are required);
- Category IV – “local impact” (state environmental expertise is conducted by regional branches of SCEEP within five days, only a draft EIA is required).

47. The types of activities of I and II categories of environmental impact are pre-project and are subject to SEE, if the project documentation is confirmed in the prescribed manner at public consultations. The procedure for holding public consultations is provided in Appendix 3 of the Resolution of the Cabinet of Ministers № 541 "On further improvement of Mechanism of the Environmental Impact Assessment dated 07.09.2020 (last amendment № 774 dated 27.12.2021). Section 24 of the Resolution on state environmental expertise outlines the information that should be within the documentation at each of these stages.

48. Three stages of the EIA and their required results are summarized as follows:

Stage I. The draft Environmental Impact Statement (PZVOS is the national acronym) is the first stage of the environmental impact assessment process and is developed before a decision is made on the implementation of planned or planned economic activities and other activities. The draft Environmental Impact Statement shall be reviewed and approved at the national level (for projects relating to category I and II) or at the regional level (for projects relating to category III and IV) under the SCEEP. The state environmental expertise confirms the category of the project and identifies the main issues that the project beneficiary shall focus on in the next stages of the environmental assessment process and during the project implementation (construction or rehabilitation works).

Stage II. The Environmental Impact Statement (ZVOS is the national acronym) is completed when it was identified by CSEE at Stage I and required additional investigations or analyses. The Statement must be submitted to the CSEE before approval of the project's feasibility study, and therefore before construction.

Stage III: The Statement on Environmental Consequences (ZEP is the national acronym) represents the final stage in the SEE process and is to be conducted before the project is commissioned. The report describes in detail the changes in the project made as a result of the analysis of the state environmental expertise during the first two stages of the EIA process, the comments received during public consultations, the environmental standards applicable to the project, and the environmental monitoring requirements related to the project, as well as the main conclusions.

49. State environmental expertise approval (Conclusion issues by SCEE) is a mandatory document for project financing by local banks and other lenders (Section 18) at Stages I and II and for project commissioning at Stage III of the national EIA procedure.

50. The Conclusion of state environmental expertise is valid for three years from the date of its issuance. If the object is not implemented within three years from the date of issuing the Conclusion of SEE, it needs to be revised and re-submitted to the SCEEP for revision and approval.

51. EIA procedure in Uzbekistan is presented in figure 1 below.

52. The Conclusion of SEE shall be sent to the relevant regional (city) control inspections in the field of ecology and environmental protection for control. Such inspections under the SCEEP supervise compliance with the requirements and conditions specified in the Conclusion of SEE.

53. Based on the Annex 2 of the Decree of the Cabinet of Ministers of the Republic of Uzbekistan of 22.11.2018 No.949 "On Approval of the "Regulation on State Environmental Expertise in the Republic of Uzbekistan", the Project components are categorized as follows:

- (19) Irrigation channels with a capacity of less than 50 m³/s – classified as Category 3 (low risk)
- (31) Ginning facilities – classified as Category 2 (medium risk)
- (43) Reclamation and improvement of irrigated land with the area of over 1,000 ha – falls into Category 3 (low risk)
- (9) Grain storage facilities / processing and preservation of agricultural products – classified as Category 4 project (local impact).

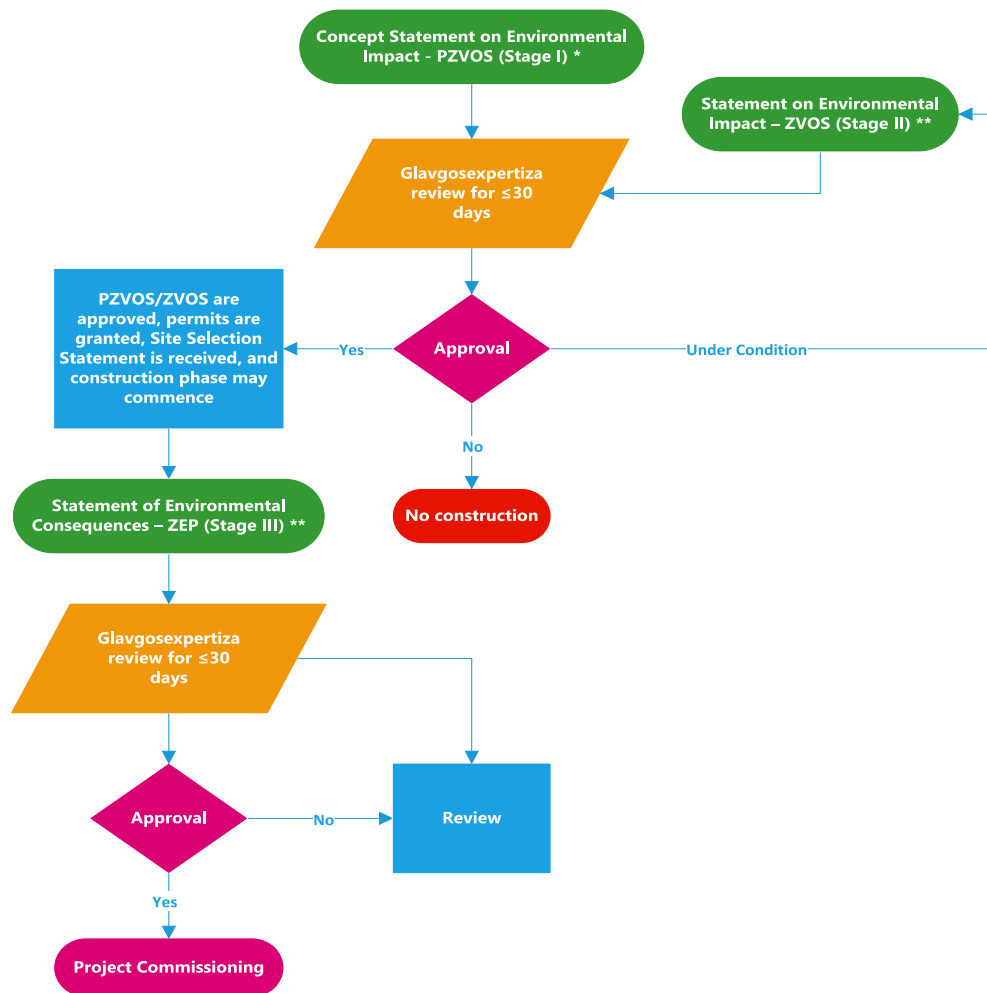


Figure 1. EIA procedure in Uzbekistan ⁸

Note:

* - Apply for Project Categories I to IV

** - Apply for Project Categories I to III

54. At the present moment Decree 949 dated 22.11.2018 is not valid and was replaced by a new Decree 541 dated 07.09.2020 “On Further Improvement of the Environmental Impact Assessment Mechanism”. According to the new Decree 541 dated 07.07.2020 Environmental risk categorization of the IAL's facilities in Kashkadarya and Syrdarya regions didn't change. Based on the Annex 1 of the Decree 541 components are classified as following:

- Irrigation system of the IAL falls under category III (low), (7. Important water pipelines in the Republic of Karakalpakstan, provinces, the city of Tashkent and districts).
- Gin facilities fall under category II (moderate), (30. Cotton processing enterprises).
- Land reclamation activities fall under category III (low), (43. Works on reconstruction of irrigated land and improvement of land reclamation).
- Processing and preserving agricultural products has a local effect (local impact) (8. Enterprises for processing and preserving agricultural products (including workshops)).

⁸ Source: Regulation on the State Environmental Expertise in the Republic of Uzbekistan № 541 dated 07.09.2020 and its amendment №774 dated 27.12.2021.

D. Environmental Regulations and Standards

55. Uzbekistan has a large set of specific standards that refer to emissions, effluent discharge, and noise standards, as well as standards to handle and dispose of specific waste ranging from wastewater to hazardous waste. The following summarizes these laws and standards along with other international best practice standards.

Air Quality and Emissions

56. Ambient Air Quality Standards, or Maximum Permissible Concentrations (MPC), established by SanR&N № 0293-11 dated 16.05.2011 is shown in table 2. According to the United Nations Environment Program (UNEP), these standards are aligned with World Health Organization (WHO) standards.⁹ WHO Air Quality Guidelines apply in the absence of national legislated standards.

Table 2. National Air Quality Maximum Permissible Concentrations (MPCs)

Parameter¹⁰	UZB Air Quality¹¹ MPC(µg/m³)	WHO Air Quality Guidelines (µg/m³)
Particulate Matter PM ₁₀	150 -500 (30 min) 80 (4-hr) 80 (monthly) 50 (annual)	20 (annual) 50 (24-hr)
Particulate Matter PM _{2.5}	150 - 500 (30 min) 80 (4-hr) 80 (monthly) 50 (annual)	10 (annual) 25 (24-hr)
Nitrogen Dioxide (NO ₂)	85 (30 min) 60 (24-hr) 50 (monthly) 50 (annual)	
Nitrogen Oxide (NO)	60 (30 min) 250 (24-hr) 120 (monthly) 60 (annual)	
Sulphur Dioxide (SO ₂)	500 (30 min) 200 (24-hr) 100 (monthly) 50 (annual)	500 (10 min) 20 (24-hr)
Carbon Monoxide (CO)	4000 (24-hr) 3500 (monthly) 3000 (annual)	

Noise

57. Noise Standards established by SanR&N № 0267-09, is used for residential / commercial areas in Uzbekistan. Evaluation of the sound level at the calculation point is performed for the day and night period of the select day (from 7 to 23 hours and from 23 to 7 hours) and considers the maximum intensity of the sound (source) level during the half-hour period. Noise standards established by SanR&N № 0120-01 ("Sanitary rules and norms to ensure acceptable noise levels

⁹ These rules and regulations establish permissible noise parameters in residential, public buildings and residential buildings of populated areas created by external and internal sources, as well as general requirements for measurements, measurement methods and hygienic noise assessment at research sites.

¹⁰ As per ADB SPS, the borrower shall achieve whichever of the air quality standards is more stringent. If less stringent levels or measures are appropriate in view of specific project circumstances, the borrower will provide full and detailed justification for any proposed alternatives that are consistent with the requirements presented in ADB SPS. For air quality the standards of Uzbekistan will be applied.

¹¹ Note: Uzbekistan labels particulate emissions as dust

in the workplace”) are used for the health of staff in the workplace. The standards are shown in table 3.

Table 3. Noise Limits from SanPiN № 0267-09 and SanPiN № 0120-01

Receptor/ Source ¹²	UZB Noise Level Standards		WHO Guidelines Value For Noise Levels	
	(30 min LAeq in dBA)		(One Hour LAeq in dBA)	
	Day ¹³	Night	07:00 – 22:00	22:00 – 07:00
Industrial area	80	80	70	70
Commercial area	55	45	-	-
Residential area	55	45	55	45
Silent zone	-	-	-	-

* LAeq- equivalent average sound pressure level.

Vibration

58. The German Standard DIN 4150-3 – Vibration in Buildings – Part 3. Effects on structures provides short term and long-term limits¹⁴ for vibration at the foundation for various structures. These standards are considered international best practice and will be followed as part of the project as shown in table 4.

Table 4. Guideline Values for Vibration Velocity to be Used When Evaluating the Effects of Short-term and Long-term Vibration on Structures¹⁵

Type of structure	Guideline Values for Velocity (mm/s)				
	Short-term				Long-term
	At foundation			Uppermost Floor	Uppermost Floor
	Less than 10 Hz	10 to 50 Hz	50 to 100 Hz	All frequencies	All frequencies
Buildings used for commercial purposes, industrial buildings, and buildings of similar design	20	20 to 40	40 to 50	40	10
Residential dwellings and buildings of similar design and/or use	5 (105 dB)	5 to 15	15 to 20	15	5 (105 dB)
Structures that because of their particular sensitivity to vibration, do not correspond to those listed in Lines 1 or 2 and have intrinsic value (e.g., buildings that are under a preservation order)	3 (100.5 dB)	2 to 8	8 to 10	8	2.5 (99.0 dB)

¹² As per ADB SPS, the borrower shall achieve whichever of the noise standards is more stringent. If less stringent levels or measures are appropriate in view of specific project circumstances, the borrower will provide full and detailed justification for any proposed alternatives that are consistent with the requirements presented in ADB SPS. For commercial and residential areas, the noise standards of Uzbekistan are more stringent, and for industrial areas the WHO Guidelines values are more stringent and thus will be applied in accordance with ADB SPS.

¹³ Performance of all types of work at permanent workplaces in industrial premises and at enterprises operated since March 12, 1985.

¹⁴ Short-term vibrations are defined as those that do not occur often enough to cause structural fatigue and do not produce resonance in the structure being evaluated and long-term vibrations are all the other types of vibration. DIN 4150-3 notes that “experience has shown that if these values are complied with, damage that reduces the serviceability of the building will not occur. If damage nevertheless occurs, it is to be assumed that other causes are responsible. Exceeding the value in the table does not necessarily lead to damage”.

¹⁵ DIN 4150-3, Structural Vibration, Part 3: Effect of vibration on structures.

Water Quality

59. Water quality standards given as Maximum Permissible Concentrations (MPC) are established by SanR&N № 0172-06 and has two categories: a) the first category is for centralized or non-centralized drinking water supply; b) the second category is for cultural and everyday purposes of the population, recreation, and sports. There are no water quality standards for treated sanitary sewage discharges (from construction), therefore, the following standards in table 5 shall apply. EHS Guidelines value applies in the absence of national standards.

Table 5. Indicative Values for Treated Sanitary Sewage Discharges¹⁶

Pollutant	Unit	National MPC	EHS Guidelines ¹⁷ Value for sanitary sewage discharge
pH	pH	6.5-8.5	6-9
Biological Oxygen Demand (BOD)	MgO ₂ /l	Fisheries water bodies – 3 Cultural Household – 3-6 Household Drinking – 3-7 Irrigation – 10	30
Chemical Oxygen Demand (COD)	MgO ₂ /l	Fisheries water bodies – 15 Cultural Household – 40 Household Drinking – 30 Irrigation – 40	125
Total Nitrogen	Mg/l	Fisheries water bodies – 9.1 Cultural Household – 25 Household Drinking – 45 Irrigation – 25	10
Total Phosphorus	Mg/l	Fisheries water bodies – 15 Cultural Household – 40 Household Drinking – 30 Irrigation – 40	2
Oil and Grease	Mg/l	Fisheries water bodies – 0.05 Cultural Household – 0.3 Household Drinking – 0.1 Irrigation – 0.3	10
Total Suspended Solids	Mg/l	Fisheries water bodies – 15 Cultural Household – 30 Household Drinking – 30 Irrigation – 50	50
Total Coliform Bacteria	MPN _A / 100 ml	-	400

60. Other key regulations relating to water quality and use for the Project include: Hygiene requirements for the protection of surface waters in RoU SanR&N № 0172-04 Main criteria for hygienic assessment of the level water bodies contamination for health risks population in Uzbekistan (SanR&N № 0255-08).

Solid Waste

61. The Law on Waste № 362-II dated 05.04.2002 (last amended on 15.11.2019) that regulates solid waste treatment procedures and defines the authority of various institutions involved in solid waste management is applicable for the Project. The law also provides rules for

¹⁶ As per ADB SPS, the borrower shall achieve whichever of the values for treated sanitary discharges are more stringent. If less stringent levels or measures are appropriate in view of specific project circumstances, the borrower will provide full and detailed justification for any proposed alternatives that are consistent with the requirements presented in ADB SPS. E&S Standards will apply in case of the national standards are not available. For Total Coliform Bacteria the value established by EHS Guidelines will be applied, while for all other parameters the standards of Uzbekistan will be applied in accordance with ADB SPS.

¹⁷ International Finance Corporation, World Bank Group. Environmental, Health, and Safety (EHS) General Guidelines.

the transport of solid waste. Regulation Document on Order of endorsement and approval of projects of wastes disposal and limits for its disposal (RH 84.3.22:2006) shall also apply.

Hazardous Waste

62. The Decision to place hazardous chemicals and hazardous materials in special landfills, their protection and disposal is approved by the State Committee for Nature Protection, the Ministry of Emergency Situations, the Ministry of Finance, the Ministry of Health № 2438 dated 20.03.2013. The provision identifies hazardous chemicals, toxic materials, special landfills, and special vehicles. The state organization JSC "Qishloqkhojalikkimyo" (Agricultural Chemicals) is responsible for the transportation and disposal of hazardous materials.

63. Transportation of such materials should be carried out in accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 35 dated February 16, 2011 "On rules of transportation of hazardous materials in the territory of Uzbekistan". The Ministry of Health and the State Committee for Nature Protection approve proper performance of work.

4.1.2 SOCIAL LEGISLATION AND REGULATIONS

64. The key social legal documents are presented further in this section and briefly summarized in the table 6 below.

Table 6: List of key social laws

Law/regulation	Date of adoption	Date of last amendment
Civil Code	29.08.1996	12.10.2021
Labor Code	21.12.1995	10.02.2022
Law on Population Employment	13.01.1992	20.10.2020
Law on Public Health	29.08.1996	03.08.2021
Law on Sanitary and Epidemiological Welfare of the Population	26.08.2015	27.04.2021
Law on Industrial Safety of Hazardous Production Facilities	28.09.2006	03.01.2018
Law on Licensing, Permission and Notification Procedures	14.07.2021	
Law on Labor Protection	06.05.1993	04.12.2019
Law on Appeals of Individuals and Legal Entities	03.12.2013	11.03.2020

65. **Civil Code** (adopted on 29.08.1996, last amended on 12.10.2021) defines the legal status of participants of civil relations, the grounds and procedure of implementation of property rights and other proprietary rights, rights on intellectual property, regulates the contractual and other obligations, as well as other property and related personal non-property relations.

66. At the time of the audit, the **Labor code** (adopted on 21.12.1995, last amendment 10.02.2022) was in force, along with the **Law on population employment**, dated 13.01.1992 (new edition № ZRU-36 dated 21.06.2006, new edition last amendment 20.10.2020). These two documents are the main legislations in force at the time of the audit regulating labor relations of individuals employed with labor contracts by enterprises, institutions, organizations of all types of ownership forms, including those contracted by individuals. These laws are considering interests of employees and employers provide the efficient function of the labor market, just and secure labor conditions, protection of labor rights and employees health, promote to the growth of labor productivity, increase of work quality, raising on this matter welfare and social livelihood level of the population. Below is a summary of the main provisions:

- Age of employment. Article 7 of the Labor Code states that forced labor, that is, compulsion to perform work under the threat of any punishment (including as a means of labor

discipline) is prohibited. The right to work is given to persons aged 16 and over. Articles 49 and 51 of the Administrative Code Uzbekistan impose fines for violation of the above rules on forced and child labor.

- Wages and deductions. Agreements and collective agreements established the form and amount of compensation for the work performed. Payment in goods is prohibited, except in cases established by the Government of the Republic of Uzbekistan (Article 153 of the Labor Code). Government establishes the minimum wage (Article 155). Since June 2022, the minimum salary for a full-time position cannot be less than 920,000 soums¹⁸ (or about US\$ 90).
- Women. Night work, overtime work, weekend work and business trips for pregnant women and women with children under 14 (with children-persons with disabilities under 16) is allowed only with their consent. At the same time, attraction to night work of pregnant women and women with children under 3 years of age is allowed only if there is a medical certificate confirming that such work is not threaten the health of mother and child (Article 228). In accordance with the Decree Presidential No. PP-4235 dated March 7, 2019, men received the same package rights to care for children from May 1, 2019, only one of the parents (male or woman) may decide to take maternity leave.
- Work time. The standard workweek is 40 hours, less allowed for persons under 18 years of age and women with children under 3 years of age. Quantity hours per day and days per week is set in the contract/agreement between employer and employee. Employers must provide rest during each working day for "rest and food", as well as paid holidays in case you need time to cool down, warm-up or breastfeed the children. The details of time off are set in contracts/agreements.
- Vacation. In addition to public holidays, employees must receive at least 15 working days of paid leave per year, employees under 18 – at least 30 calendar days, and disabled workers - 30 calendar days (Articles 134–135). In addition, those who work in unhealthy and unfavorable working conditions receive an additional seven days, and those who work in adverse climatic conditions, receive an additional eight days.
- Overtime work. Compensation for overtime work specified in the labor contracts or agreed with the employee's trade union, can be implemented in the form of additional pay, or leave. The law says that compensation overtime work should not be less than 200% of the average monthly employee wages (disaggregated by hours worked).
- Labor disputes. Everyone is guaranteed the protection of labor rights, which is carried out by the bodies of supervision and control over compliance with labor legislation, as well as by the bodies for the consideration of labor disputes (Article 8). The general judicial system, which deals with civil and criminal cases, is responsible for resolving labor disputes. This can be done at the regional or city level. Formally, workers can file complaints through the Prosecutor General's Office.

67. In the meantime, a **new Labor Code** № 02/22/798/0972 was adopted on 29.10.2022 and will enter into force on 30.04.2023. The code regulates the labor relations and ensures a balance of the interests of employees, employers, and the state. The main principles of the code are: (i) equality of labor rights, prohibition of discrimination in the sphere of labor and occupation; (ii) freedom of labor and the prohibition of forced labor; (iii) social partnership in the sphere of labor; (iv) guarantee of ensuring labor rights and performance of labor duties; (v) inadmissibility of deterioration of the legal status of the employee. Below is a summary of the main provisions (presented by topics similar to the ones discussed above for the Labor Code currently in force):

¹⁸ <https://lex.uz/en/docs/6027060>

- Age of employment. Article 5 of the Labor Code states that forced labor, that is, compulsion to perform work under the threat of any punishment is prohibited. The right to work is given to persons aged 16 and over (Article 20). Article 25 states employers' responsibility to prevent the use of forced and worst forms of child labor. Articles 49 and 51 of the Administrative Code Uzbekistan impose fines for violation of the above rules on forced and child labor.
- Wages and deductions. Agreements and collective agreements establish the form and amount of compensation for the works performed. Minimum wage provided to employee cannot be less than the minimum monthly wage established by legislation (no maximum pay is legally specified). Changing the conditions of remuneration in the direction unfavorable for the employee is not allowed without the consent of the employee. Payment in goods is prohibited, except in cases established by the Government of the Republic of Uzbekistan.
- Women. The law emphasizes prohibition of discrimination in the field of wages and ensuring equal pay for men and women for work of equal value. Code prohibits refusing to hire or reducing wages for reasons of pregnancy or having children, includes additional measured for labor protection for women, transfer of pregnant women to work that is easier or excludes the impact of adverse production factors, transfer to easier work of the parent taking care of the child under 2 years, right to shortened duration of work, provision of additional day off and other provisions.
- Work time. The standard workweek is 40 hours, less allowed for persons under 18 years of age, workers with disabilities of I and II groups, employees working in unfavorable conditions, certain workers (medical workers, teachers and other) whose work is associated with increased emotional / mental / nervous tension, one of the parents (guardian) of a child under the age of three working in a budget-funded organization. For employees with regular working hours, duration of the daily shift is 8 hours for a five-day working week and 7 hours for a six-day working week. Number of hours per day and days per week is set in the contract/agreement between employer and employee. The law also includes provisions regarding type and time for rest provided to employee (e.g., breaks for rest and meal, weekends, holidays), as well as on time of release from work not counted as rest time (e.g. maternity leave, temporary disability period, etc.).
- Vacation. In addition to public holidays, employees must receive at least 21 working days of paid leave per year, employees under 18 and disabled employees (groups I and II) – 30 calendar days. Additional vacation days are provided to those who work in unhealthy and unfavorable working conditions, in adverse climatic conditions, long-term employees of company/sector, other groups.
- Overtime work. The law establishes that compensation for overtime work is paid at least twice the regular wage. The duration of overtime work should not exceed 4 hours for 2 consecutive days (in jobs with unfavorable working conditions - 2 hours a day) and 0120 hours a year. The employer is obliged to ensure that the employee's overtime hours are accurately recorded. Overtime work is not allowed when the working shift lasts 12 hours, as well as when working in harmful and dangerous conditions.
- Labor disputes. The procedure for considering individual labor disputes on the application of labor legislation and other legal acts on labor, an employment contract is determined by the Labor Code, and the procedure for considering cases on labor disputes in courts is determined, in addition, by the Civil Procedure Code. Individual labor disputes are considered by commissions on labor disputes or by court. An employee has the right, at his choice, to resolve a labor dispute with a labor dispute committee or directly with a court. Any individual labor dispute at any stage of consideration can be referred to a mediator in accordance with the Law of the Republic of Uzbekistan "On Mediation".

68. **Law on Public Health**, № 265-I dated 29.08.1996 (last amendment 03.08.2021). The main objectives of legislation on the protection of public health are: guaranteeing the rights of citizens to health care from the state; the formation of a healthy lifestyle of citizens; legal regulation of the activities of state bodies, enterprises, institutions, organizations, public associations in the field of public health.

69. **Law on Sanitary and Epidemiological Welfare of the Population**, № 393 dated 26.08.2015 (last amended on 27.04.2021). It regulates social relations on sanitary-epidemiological well-being and radiation safety, the right person to a healthy environment, the rights and guarantees of their implementation. Law prohibits the production, use and sale of new types of raw materials, chemicals, technological equipment, processes and tools, etc, not registered in the Ministry of Health of the Republic of Uzbekistan. In addition, law restricts the use of chemicals, means and methods used in the practice of household and drinking water supply, in the production and processing of food products, stimulants and growth regulators of agricultural plants and animals, **pesticides**, perfumes and cosmetic products in the case of adverse effects on human health until the developer provides scientifically based data on the safety of these substances, means and methods.

70. **Law on Industrial Safety of Hazardous Production Facilities**, No. ZRU-57 dated 28.09.2006 (as amended on 03.01.2018). This law provides the legal basis for the environmental requirements for handling hazardous substances related to the impact on the living organism to I, II and III classes of danger, explosives, industrial wastes containing substances in concentrations which are hazardous to human health and the environment.

71. **Law on Licensing, Permission and Notification Procedures**, № LRU-701 dated 14.07.2021. The purpose of this Law shall be to regulate relations in the field of licensing, permitting and notification procedures. This Law shall not apply to relations with respect to: use of objects of intellectual property, as well as entrepreneurial activities which is carried out on the basis of a complex business license agreement (franchising agreement); state registration and recording of business entities, transactions, rights and property; accreditation, certification, standardization, metrology and technical regulation; state ecological expertise; etc. According to the Annex 2, Types of activities (actions) for which obtaining permits shall be required, #102. Permit for experimental use of plant protection products should be taken from Ministry of Agriculture, SCEEP, Ministry of Health.

72. **Law on Labor Protection**, № 839-XII dated 06.05.1993 (new edition № ZRU-410 dated 22.09.2016, new edition last amendment 04.12.2019). The law is aimed at regulating the relations in the field of labor protection. The law determines the main directions of state policy in the field of labor protection, defines the powers of a specially authorized state body in the field of labor protection, specifies rights and obligations of an employee and an employer, as well as includes provisions on certification of workplaces according to working conditions, mandatory medical examinations, investigation and registration of accidents at work and occupational diseases, state supervision and control over compliance with labor protection, rights of trade unions.

73. **Resolution of RoU Cabinet of Ministers “On Additional Measures on the Elimination of Forced Labor in Uzbekistan”**, № 349 dated 10.05.2018 (last amended on 31.12.2018) and Resolution of the Cabinet of Ministers of the RoU № 1066 “On Measures to Improve Activities Ministries of Employment and Labor Relations in the Republic of Uzbekistan” dated 31.12.2018 (last amended on 02.03.2022) prohibit and provide detail information on types of forced labor, types of governmental organizations and its staff, monitoring mechanism of local governorates

(khokimiyats). According to this decree, financial resources of the Public Works Fund, which was established under the Ministry of Employment and Labor Relations, will be used for any public works in Uzbekistan.

74. Resolution of RoU Cabinet of Ministers “On Measures to Further Improve the System of Social Protection of the Population and Widely Introduction of Modern Information and Communication Technologies in the Field”, № 122 dated 05.03.2021 (last amended by Resolution of the Cabinet of Ministers of the RoU № 654 on 21.10.2021). Resolution of the Cabinet of Ministers of the RoU № 654 approves the Regulations on the procedure for identifying low-income families through the information system "Unified Register of Social Protection", assigning and paying child benefits and material assistance to low-income families.

75. Law on Appeals of Individuals and Legal Entities № ZRU-378 dated 03.12.2013 (new edition № ZRU-445 dated 11.09.2017, new edition last amended on 11.03.2020). The purpose of this Law is to regulate relations in the field of appeals of individuals and legal entities (hereinafter referred to as appeals) to state bodies and state institutions (hereinafter referred to as state bodies), as well as to their officials. Article 5 specifies the applications, suggestions and complaints as the types of appeals that can be submitted in verbal, written or electronic forms. An appeal received by a state body, organization or their official is subject to registration on the same day, and in case of receipt after the end of working hours, on the next business day. Refusal to register an appeal is not allowed. Registration of verbal appeals is not required (Article 23). Article 28 states that the application or complaint is considered within fifteen days from the date of receipt by the state body, organization or their official, and within one month in case the additional study and (or) verification is required (in the latter case the information is provided to the individual or legal entity that submitted the appeal within ten days). It was noted, that according to the law anonymous appeals are not considered (Article 29).

4.1.3 LAND USE LEGISLATION AND REGULATIONS

76. The key social land use documents (including those relevant to cotton clusters) are presented further in this section and briefly summarized in the table 7 below.

Table 7: List of key land use laws and regulations

Law/regulation	Date of adoption	Date of last amendment
Civil Code	29.08.1996	12.10.2021
Land Code	30.04.1998	17.08.2021
Law on Lease	19.11.1991	21.04.2001
Law on Farms	30.04.1998	24.02.2004
Resolution of Cabinet of Ministers “On Additional Measures to Ensure Guarantees of Property Rights of Individuals and Legal Entities and to Improve the Procedure for Withdrawal of Land Plots and Payment of Compensation” № 911	16.11.2019	
Resolution of Cabinet Ministers “On measures to improve the procedure for state registration of rights to real estate” № 1060	29.12.2018	
Resolution of Cabinet Ministers “On measures to improve the effectiveness of training and realizing projects with participation of international financial institutions and foreign government financial organizations” № 3857	17.07.2018	
Decree of the President of the Republic of Uzbekistan “On measures on cardinal improvement of investment climate in the republic of Uzbekistan” № 5495	01.08.2018	

Law/regulation	Date of adoption	Date of last amendment
Decree of the RoU Cabinet of Ministers No.476 “On Measures to Implement the Farms Development Concept for 2004-2006” № 476	30.10.2003	
Decree of the RoU Cabinet of Ministers “On Compensation of Losses to individual and Legal Entities as a Result of Land Plots Expropriation for State and Public Needs” № 97	29.05.2006	
Decree of the RoU Cabinet of Ministers “In Improvement of the Procedure for Provision of Land Plots, Protection of the Rights of Legal Entities and Individual to Land Plots for Improvement of the Architectural Appearance of Residential Areas of the Republic, Optimal Use of their Lands for Development: № 146	25.05.2011	
Decree of the RoU Cabinet of Ministers “On Approval of the Regulation on the Farm and Optimisation and Liquidation procedure” № 22	31.01.2013	
Decree of the RoU Cabinet of Ministers “On Measures to Introduce Modern Patterns for Cotton and Textile Production” № 53	25.01.2018	
Decree of the RoU Cabinet of Ministers of Uzbekistan “On Measures to Establish the Modern Cotton-Textile Production by Indorama (Singapore) in Uzbekistan” № 632	08.08.2018	
Decree of the RoU Cabinet of Ministers “On Additional Measures to Further Promote Cotton-textile Production” № 744	19.09.2018	

77. **Civil Code** (adopted on 29.08.1996, last amended on 12.10.2021) defines general rules of property seizure, determination of property cost and rights for compensation, terms of rights termination.

78. **Land Code** dated 30.04.1998 (last amendment 17.08.2021). The Land Code is the main regulatory framework for land related matters in Uzbekistan. The land code regulates allocation, transfer and sale of land plots, defines ownership and rights on land. It describes responsibilities of different state authorities (Cabinet of Ministers, region, district, and city khokimiyats) in land management; rights and obligations of land possessor, user, tenant, and owner; land category types, land acquisition and compensation issues, resolution of land disputes and land protection. The land code also defines the terms of rights termination on land plot, seizure, and land acquisition of land plot for state and public needs, and terms of seizure of land plot in violation of land legislation.

79. Legal entities can have rights for land in the form of permanent tenure, permanent use, fixed term (temporary) use, lease, and ownership (Article 17):

- **Permanent land tenure** is granted to enterprises, institutions and organizations for agriculture and forestry, as well as for other purposes if allowed by law (Article 20).
- **Permanent or fixed-term land use** may be granted to non-agricultural entities, international companies/associations/organisations (Article 20).
- **Land lease** is a fixed-term, chargeable tenure, and use of the land under the terms of a Lease Agreement. The land is leased by khokims of districts and cities to legal entities in the Republic of Uzbekistan (Article 24, Article 1 of the Law on Lease).
- **Land ownership** results, by law, from privatization of trade and service facilities together with the land plot on which they are located (Article 18).

80. Agricultural land may be allocated to individual farmers to run a farm (treated as a legal entity) and companies involved in agricultural production (Article 46). Land allocated to a farm may not be subject to privatization, sale, donation, or exchange. Land tenants or users need to

pay for the land and are charged with annual land tax estimated based on quality, location, and availability of irrigation systems (Article 28). Leaseholders are paying a lease fee that equals to the land tax. The Land Code identifies that land tenants, leaseholders, users, and owners, are eligible for compensation for losses and damages in connection with land acquisition or expropriation, including lost profit (Article 41).

81. **Law on Lease** (No 427-XII, dated 19.11.1991 and last amended on 21.04.2001) regulates lease arrangements related to chargeable possession and use of land, other natural resources as well as assets required to independently carry out economic and other operations by the tenant (Article 1). Land and other natural resources may be leased. Agricultural land may be leased only for agricultural production (Article 3).

82. According to Article 13, any changes in the terms and conditions of the Land Lease Agreement and its termination are to be agreed by the parties. At the request of one of the parties, the LLA can be terminated by the decision of the court should the other party violate the terms and conditions of the LLA.

83. **Law on Farms** (No 602-I, dated 30.04.1998 and last amended 24.02.2004) regulates the process of establishment, operation, reorganisation, and liquidation of farms. The law treats a farm as a business entity engaged in the farming of agricultural products using leased land. Farms may only lease land for agricultural production and other farming activities. The right to lease is granted based on an open competition for a period of up to fifty years or minimum thirty years (Articles 1, 5 and 7).

84. The Law on Farms states (Article 7) that a farm is considered to be established as soon as the state registration process is completed, and the farm founder (Farm Manager) has concluded a long-term LLA. A farm is entitled to open and maintain bank accounts and have a seal with the name of the farm. The Law on Farms stipulates rights (Article 16) *inter alia* to run a farming business, plant and harvest crops on the leased land in line with the farm statute and LLA provisions, enter into future contracts and request advance payments for farming products, sell products to consumers, set prices for farm products as well as works and services, award supply contracts (for instance for electricity, fuel and lubricants, mineral fertilizers, chemicals, water, technical and other services), generate and dispose of unlimited income (profit) from the farming business including money in the bank account, purchase shares and other securities, obtain loans, raise money and benefit from any privileges and preferences granted to small and private enterprises, and file legal actions to protect these rights and legitimate interests.

85. **Resolution of Cabinet of Ministers “On Additional Measures to Ensure Guarantees of Property Rights of Individuals and Legal Entities and to Improve the Procedure for Withdrawal of Land Plots and Payment of Compensation”** № 911 dated 16.11.2019. This resolution deals with regulations that determine the procedure for withdrawal/redemption of a land plot or its part, as well as the procedure for calculating the amount of compensation to citizens and legal entities for demolished residential, industrial, and other buildings, structures and trees and crops in connection with the withdrawal/redemption of land plots for state and public needs. The resolution envisages procedures for acquisition of lands for state and public needs that belong to individuals (individual entrepreneur, citizen of the Republic of Uzbekistan, foreign citizen, and stateless persons) and legal entities (business entities, non- governmental organizations) based on ownership, permanent use or temporary use, as well as in the framework of investment projects and compensation for property owners including for the properties located on impacted lands.

86. **Resolution of Cabinet Ministers “On measures to improve the procedure for state registration of rights to real estate”** № 1060 dated 29.12.2018. The resolution is aimed at creating the favorable conditions for registering rights to real estate, includes the Regulation on the procedure for state registration of rights to real estate, providing for: definition of uniform rules for state registration of rights to real estate, provision of free access to the information of the State Register to legal entities and individuals, introduction of information and communication data exchange between authorized bodies in order to create favorable conditions for legal entities and individuals to register their rights to real estate, state registration of rights to unfinished buildings and structures, issuance of an electronic extract from the State Register of Rights to Real Estate, introduction of a pre-trial dispute resolution mechanism.

87. According to the Regulation presented in the Annex 1 to Resolution, information on the right of ownership and other real rights to real estate, including the occurrence, transfer, restriction and termination of these rights, as well as transactions with them from February 1, 2019, is provided through information and communication systems to the body carrying out state registration, bodies local executive authorities, state notary offices, territorial divisions of the Ministry of Construction of the Republic of Uzbekistan, as well as other authorized bodies within one day from the date of the relevant actions (Article 7).

88. Article 21 lists the documents based on which the emergence of rights to land plots is registered, and among them mentions the following “registration of the right of lifelong inheritable possession of a land plot - a decision of local government bodies, adopted within the limits of authority, on the provision of a land plot or a certificate of the right to inheritance issued by a state notary’s office, or a state warrant issued by the khokim of the district (city), about acquiring this right on the basis of an auction;”.

89. **Resolution of Cabinet Ministers “On measures to improve the effectiveness of training and realizing projects with participation of international financial institutions and foreign government financial organizations”** № 3857 dated 17.07.2018. The resolution provides that payment of compensation for the land acquisition, demolition of houses, other structures, plantings within the framework of projects with the participation of International Financial Institutions (IFIs), if it is agreed and stated in agreements, then will be carried out by authorized bodies in accordance with the requirements of IFIs or Foreign Governmental Finance Organizations.

90. **Decree of the President of the Republic of Uzbekistan “On measures on cardinal improvement of investment climate in the republic of Uzbekistan”** № 5495 dated 01.08.2018. The resolution provides that the adoption of decisions on the seizure of land for state and public needs is allowed only after an open discussion with interested parties whose land plots are planned to be seized, as well as assessing the benefits and costs; demolition of residential, industrial premises, other structures and structures belonging to individuals and legal entities, with the withdrawal of land plots is allowed after the full compensation of the market value of immovable property and losses caused to owners in connection with such withdrawal.

91. **Decree of the RoU Cabinet of Ministers No.476 “On Measures to Implement the Farms Development Concept for 2004-2006”** № 476 dated 30.10.2003 approves the Programme for Implementation of the 2004-2006 Farms Development Concept and approves the Regulation on the Long- Term Lease of Land by Farmers (Appendix No.7). This Regulation sets out the procedure for allocating land to farmers based on long-term lease arrangements and provides a template of the Long-Term Land Lease Agreement (Appendix No.8).

92. **Decree of the RoU Cabinet of Ministers “On Compensation of Losses to individual and Legal Entities as a Result of Land Plots Expropriation for State and Public Needs”** № 97 dated 29.05.2006. The Decree regulates the compensation of losses to individuals and legal entities resulted from expropriation of land plots for state and public needs. This regulation determines the procedure for land expropriation and sets out the procedure for calculating compensations for individuals and legal entities for the loss of residential, industrial, and other buildings and structures in connection with the land expropriation.

93. **Decree of the RoU Cabinet of Ministers “On Improvement of the Procedure for Provision of Land Plots, Protection of the Rights of Legal Entities and Individual to Land Plots for Improvement of the Architectural Appearance of Residential Areas of the Republic, Optimal Use of their Lands for Development: № 146** dated 25.05.2011. This Decree is aimed at improving the land allocation procedure for, ensuring the protection of the right of legal entities and individuals to land plots to improve the architectural appearance of residential areas in the country, the optimal use of their land for development in accordance with the Land Code and the Urban Development Code. The resolution approved two regulations: i) the Regulation on Land Allocation for Urban Development and Other Non- agricultural Purposes, and ii) Regulation on the Compensation Process for Landowners, Users, Tenants, and Owners, including for losses in trees and crops.

94. **Decree of the RoU Cabinet of Ministers “On Approval of the Regulation on the Farm and Optimisation and Liquidation procedure”** № 22 dated 31.01.2013 approves the Regulation on the Farmland Optimisation and Liquidation Procedure. According to Clause 4 of the Regulation, the voluntary reduction of the size of the farmland is to be completed against a respective application of the Farm Manager to be submitted to the district (city) khokim. If the farm wants to increase the size of the farmland, it should participate in the tender for long-term lease of state-owned land.

95. The Regulation determines (Clause 9) that land optimisation is to be completed against a respective approval by the Regional Land Commission of the khokim’s Decree to modify the size of the farmland and introduction of respective amendments in the LLA signed between the District (City) khokim and the Farm Manager.

96. **Decree of the RoU Cabinet of Ministers “On Measures to Introduce Modern Patterns for Cotton and Textile Production”** № 53 dated 25.01.2018 establishes cotton clusters across Uzbekistan and makes provisions for contract farming arrangements with the farms to supply raw cotton to the clusters.

97. **Decree of the RoU Cabinet of Ministers of Uzbekistan “On Measures to Establish the Modern Cotton-Textile Production by Indorama (Singapore) in Uzbekistan”** № 632 dated 08.08.2018 authorises Regional and District Khokimiyats to transfer land to the private company for the purpose of socio-economic development and particularly makes provisions for allocating land to FE “Indorama Agro” LLC ‘s cluster in two phases:

- Land in Kasbi, Nishon, Sardoba and Oqoltin districts by the khokimiyats of Kashkadarya and Sirdarya regions upon request of the Investor before November 1, 2018, as follows:
 - 40,000 ha of irrigated land to be allocated directly to the Company for direct farming of raw cotton and other crops
 - 10,000 ha of land to the local farms to supply raw cotton to the Company via contract farming arrangements.

- Land for farming cotton and other crops in Ferghana and Jizzakh regions based on the Company's performance during Phase I and the proposals of the Company reviewed by the Khokimyats.

98. **Decree of the RoU Cabinet of Ministers “On Additional Measures to Further Promote Cotton-textile Production” № 744** dated 19.09.2018 further promotes implementation of the cotton clusters concept across the regions of Uzbekistan as previously established in Decree No.53. Decree No.744 establishes that the land returned by poorly performing farms is reallocated to the well-performing cotton clusters. The document recommends that (i) cotton clusters support local farms in introducing drip irrigation, (ii) commercial banks provide revolving lines of credit to finance introduction of drip irrigation and working capital of cotton clusters and (iii) the Prosecutor's Office establishes stringent monitoring of contracts administration and the use of land by the clusters.

99. According to Decree No.744, the RoU Ministry of Employment jointly with the Regional Khokimyats shall help former employees of cotton facilities made redundant because of reallocation of facilities to cotton clusters in finding new jobs as well as issue/extend work permits to cotton clusters to attract in Uzbekistan highly qualified international human resources who specialise in agriculture against respective applications from the cotton clusters.

4.1.4 ETHNIC MINORITIES RELATED LEGISLATION AND REGULATIONS

100. The **Constitution of the Republic of Uzbekistan**¹⁹ (adopted on 8 December 1992 and last amended on 16 April 2014) states that “the people of Uzbekistan are citizens of the Republic of Uzbekistan, regardless of their nationality” (Article 8). Article 18 specifies that “All citizens of the Republic of Uzbekistan have the same rights and freedoms and are equal before the law without distinction of sex, race, nationality, language, religion, social origin, beliefs, personal and social status.” With respect to the citizenship, the Article 21 of the Constitution states that “In the Republic of Uzbekistan, a single citizenship is established for the entire territory of the republic. Citizenship of the Republic of Uzbekistan is equal for everyone, regardless of the grounds for its acquisition. A citizen of the Republic of Karakalpakstan is simultaneously a citizen of the Republic of Uzbekistan.”

101. **Decree of the President of RoU “On Approval of the Concept of the State Policy of the Republic of Uzbekistan in the Sphere of International Relations” № UP-5876** dated 15.11.2019. The decree noted that the provisions of the Constitution of the Republic of Uzbekistan are being actively implemented, proclaiming, and guaranteeing that the people of Uzbekistan are citizens of the Republic of Uzbekistan, regardless of their nationality, and the Republic of Uzbekistan ensures respect for the languages, customs and traditions of nations and nationalities living on its territory, creating conditions for their development. The decree also states that the representatives of more than 130 ethnic groups are living in Uzbekistan, using the same rights and opportunities provided by the Constitution and laws of the Republic of Uzbekistan, working fruitfully in various sectors of the economy and the social sphere, the fields of science and culture, making a worthy contribution to the prosperity of Uzbekistan and strengthening its independence, increasing the authority and image of the republic in the international arena. The decree approves: (i) the Concept of the state policy of the Republic of Uzbekistan in the field of interethnic relations; (ii) the "Roadmap" for the implementation of the Concept of the state policy of the Republic of Uzbekistan in the field of interethnic relations in 2019 – 2021; and (iii) establishes that coordination of implementation and monitoring of the high-quality and timely implementation of the Concept

¹⁹ <https://constitution.uz/en/clause/index#section1>; <https://lex.uz/ru/docs/35869>

and the Roadmap are carried out by the Committee on Interethnic Relations and Friendly Relations with Foreign Countries under the Cabinet of Ministers of RoU.

102. **Decree of the President of RoU “On Approval of the National Strategy of the Republic of Uzbekistan on Human Rights”** № UP-6012 dated 22.06.2020 states that the RoU has acceded to more than 80 international human rights instruments, including 6 major treaties and 4 optional protocols of the United Nations (UN), on an ongoing basis submits to the Human Rights Council and UN treaty committees the national reports on their implementation. In addition, practical measures are being taken to harmonize national legislation with international legal standards in the field of human rights. Appendix 2 to the decree presents the “Road Map on the Implementation of the National Strategy of the Republic of Uzbekistan on Human Rights” and in it line 17 includes the provisions on “Implementation of the Concept of the state policy of the Republic of Uzbekistan in the field of interethnic relations for 2019-2021, ensuring the social and cultural rights of national minorities.”

103. **Joint Resolution of the Kengash of the Legislative Chamber of the Oliy Majlis of RoU and the Kengash of the Senate of the Oliy Majlis of RoU** “On the National Action Plan for the implementation of concluding comments and recommendations of the UN Committee on the Elimination of Racial Discrimination Following the consideration of the tenth - twelfth periodic reports of the Republic of Uzbekistan to fulfill the provisions of the International Convention on the Elimination of All Forms of Racial Discrimination at 2020-2022” № 513-IV dated 1510.2020. The joint resolutions approved the “National Action Plan for the implementation of the Concluding Observations and Recommendations of the UN Committee on the Elimination of Racial Discrimination following the consideration of the Tenth - Twelfth periodic reports of the Republic of Uzbekistan on the implementation of the provisions of the International Convention on the Elimination of All Forms of Racial Discrimination for 2020 – 2022.” The National Action Plan includes provision on Definition of racial discrimination and legislation, as well as the rights of ethnic minorities and required to “take immediate action to develop and enact legislation on the rights of persons belonging to ethnic minority groups, in consultation with all ethnic groups” through “studying the issue of the development and adoption of the law of the RoU on Equality and Non-Discrimination.”

4.2 INTERNATIONAL ENVIRONMENTAL AND SOCIAL LEGAL INSTRUMENTS AND COMMITMENTS

104. Uzbekistan’s current policy pays particular attention to international co-operation on environmental issues. The country has been actively involved in international agreements and conventions. Table 8 below lists the international environmental conventions and treaties acceded by the Government of Uzbekistan.

Table 8. Environmental international conventions and regulations accessed/ratified by Uzbekistan

No	Convention / Agreement	Year ²⁰
1	1961 (Paris) International Convention for the Protection of New Varieties of Plants	2004
2	1968 (London, Moscow, Washington) Treaty on the Non-Proliferation of Nuclear Weapons (NPT)	1992
3	1971 (Ramsar) Convention on Wetlands of International Importance Especially as Waterfowl Habitat	2001
4	1972 (Paris) Convention concerning the Protection of the World Cultural and Natural Heritage	1993

²⁰ Year refers to any of the following: Ratification/Acceptance, Accession/Succession

No	Convention / Agreement	Year ²⁰
5	1972 (London, Moscow, Washington) Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons, and on their Destruction	1996
6	1973 (Washington) Convention on International Trade in Endangered Species of Wild Fauna and Flora	1997
	1979 (Bonn) Amendment	1997
	1983 (Gaborone) Amendment	1998
7	1980 (New York, Vienna) Convention on the Physical Protection of Nuclear Material	1998
8	1979 (Bonn) Convention on the Conservation of Migratory Species of Wild Animals	1998
	1995 (The Hague) Agreement on the Conservation of African-Eurasian Migratory Waterbirds (AEWA)	1998
9	1985 (Vienna) Convention for the Protection of the Ozone Layer	1993
	1987 (Montreal) Protocol on Substances That Deplete the Ozone Layer	1993
	1990 (London) Amendments to Montreal Protocol on Ozone Depleting Substances	1998
	1992 (Copenhagen) Amendments to Montreal Protocol on Ozone Depleting Substances	1998
	1997 (Montreal) Amendments to Montreal Protocol on Ozone Depleting Substances	2006
	1999 (Beijing) Amendments to Montreal Protocol on Ozone Depleting Substances	2006
10	1989 (Basel) Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	1996
11	1992 (Rio De Janeiro) Convention on Biological Diversity	1995
	2000 (Montreal) Cartagena Protocol on Biosafety	2019
12	1992 (Helsinki) Convention on the Protection and Use of Transboundary Watercourses and International Lakes	2007
	2003 (Madrid) Amendments to Articles 25 and 26	2011
13	1992 (New York) Framework Convention on Climate Change	1993
	1997 (Kyoto) Kyoto Protocol	1999
	2015 (Paris) Paris Agreement	2018
14	2001 Stockholm Convention on Persistent Organic Pollutants	2019
15	1993 (Paris) Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction	1996
16	1994 (Paris) United Nations Convention to Combat Desertification	1996
17	1997 (New York) Convention on the Law of Non-navigational Uses of International Watercourses	2007
18	1994 (Lisbon) Energy Charter Treaty	1995
19	1994 (Lisbon) Protocol on Energy Efficiency and Related Environmental Aspects	1995
20	1997 (Vienna) Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management	2009

105. As a member of the CIS countries, Uzbekistan is a member of the Interstate Environmental Council on the harmonization of environmental legislation, the development of the EA and the development of economic instruments for environmental protection, as well as a member of the Interstate Environmental Fund for financing environmental protection in interstate and regional programs.

106. **ILO core labor standards.** The Republic of Uzbekistan ratified 18 ILO conventions and 1 Protocol²¹ including key labor standards, such as freedom of association, prohibition of child labor, prohibition of discrimination, and prohibition of forced labor. In total all 8 Fundamental and 4 Governance (Priority) Conventions were ratified, as well as 6 of 178 Technical Conventions were ratified. The list of conventions adopted by the Republic of Uzbekistan is provided in table 9 below (additional details are provided in Annex III).

Table 9. ILO conventions adopted by Republic of Uzbekistan

Convention	Date	Status
Fundamental		
C029 - Forced Labour Convention, 1930 (No. 29) <i>Protocol of 2014 to the Forced Labour Convention, 1930 ratified on 16 Sep 2019 (In Force)</i>	13 Jul 1992	In Force
C087 - Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)	12 Dec 2016	In Force
C098 - Right to Organise and Collective Bargaining Convention, 1949 (No. 98)	13 Jul 1992	In Force
C100 - Equal Remuneration Convention, 1951 (No. 100)	13 Jul 1992	In Force
C105 - Abolition of Forced Labour Convention, 1957 (No. 105)	15 Dec 1997	In Force
C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111)	13 Jul 1992	In Force
C138 - Minimum Age Convention, 1973 (No. 138) <i>Minimum age specified: 15 years</i>	06 Mar 2009	In Force
C182 - Worst Forms of Child Labour Convention, 1999 (No. 182)	24 Jun 2008	In Force
Governance (Priority)		
C081 - Labour Inspection Convention, 1947 (No. 81)	19 Nov 2019	In Force
C122 - Employment Policy Convention, 1964 (No. 122)	13 Jul 1992	In Force
C129 - Labour Inspection (Agriculture) Convention, 1969 (No. 129)	19 Nov 2019	In Force
C144 - Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144)	13 Aug 2019	In Force
Technical		
C047 - Forty-Hour Week Convention, 1935 (No. 47)	13 Jul 1992	In Force
C052 - Holidays with Pay Convention, 1936 (No. 52)	13 Jul 1992	In Force
C103 - Maternity Protection Convention (Revised), 1952 (No. 103)	13 Jul 1992	In Force
C135 - Workers' Representatives Convention, 1971 (No. 135)	15 Dec 1997	In Force
C154 - Collective Bargaining Convention, 1981 (No. 154)	15 Dec 1997	In Force
C187 - Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187)	14 Sep 2021	Not in force ²²

²¹ Source: International Labor Organization:
https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200_COUNTRY_ID:103538

²² The Convention will enter into force for Uzbekistan on 14 Sep 2022.

4.3 ADB SAFEGUARD POLICY STATEMENT AND OTHER E&S REQUIREMENTS

107. The objective of this report is to determine IAL's compliance with the ADB SPS (2009), other social policies such as the Social Protection Strategy (2001), Gender and Development Policy (2003), and the Access to Information Policy (2018).

108. *Environmental Safeguard*: this safeguard is meant to ensure the environmental soundness and sustainability of projects and to support the integration of environmental considerations into the project decision-making process.

109. *Involuntary Resettlement Safeguard*: this safeguard has been placed in order to avoid involuntary resettlement whenever possible; to minimize involuntary resettlement by exploring project and design alternatives; to enhance, or at least restore, the livelihoods of all displaced persons (if any) in real terms relative to pre-project levels; and to improve the standards of living of the displaced poor and other vulnerable groups (if any).

110. *Indigenous Peoples Safeguard*: this safeguard looks at designing and implementing projects in a way that fosters full respect for Indigenous Peoples' identity, dignity, human rights, livelihood systems and cultural uniqueness as defined by the Indigenous Peoples themselves so that they receive culturally appropriate social and economic benefits; do not suffer adverse impacts as a result of projects; and participate actively in projects that affect them.

111. *Information, Consultation and Disclosure*: consultation and participation are essential in achieving the safeguard policy objectives. This implies that there is a need for meaningful, prior and informed consultation with affected persons, communities, and other stakeholders in the context of safeguard planning and for continued consultation during project implementation to identify and help address safeguard issues that may arise. The ADB's Public Communications Policy specifies environmental and social safeguard requirements on information disclosure to affected people:

- Environment: in accordance with the requirements under the SPS, ADB shall post on its website the following documents (as necessary) submitted by the borrower:
 - (ii) Draft EIA report for an environment category A project, at least 120 days before Board consideration;
 - (iii) Draft environmental assessment and review framework, where applicable, before appraisal;
 - (iv) Final EIA or initial environmental examination (IEE), upon receipt by ADB;
 - (v) New or updated EIA or IEE, and a corrective action plan, if any, prepared during project implementation, upon receipt by ADB; and
 - (vi) Environmental monitoring reports, upon receipt by ADB.
- Involuntary Resettlement: in accordance with the requirements under the SPS, ADB shall post on its website the following documents submitted by the borrower and/or client:
 - (vii) Draft resettlement plan (RP) and/or resettlement framework (RF), endorsed by the borrower and/or client before appraisal;
 - (viii) Final RP endorsed by the borrower and/or client after the census of affected persons has been completed;
 - (ix) New or updated RP, and a corrective action plan, if any, prepared during project implementation, upon receipt by ADB; and
 - (x) Resettlement monitoring reports, upon receipt by ADB.
- Indigenous Peoples: in accordance with the requirements under the SPS, ADB shall post on its website the following documents submitted by the borrower and/or client:
 - (xi) Draft indigenous peoples plan (IPP) and/or indigenous peoples planning

- framework, endorsed by the borrower and/or client, before appraisal;
- (xii) Final IPP, upon receipt by ADB;
- (xiii) New or updated IPP and a corrective action plan, if any, prepared during implementation, upon receipt by ADB; and
- (xiv) Indigenous peoples monitoring reports, upon receipt by ADB.

112. *ADB's Social Protection Strategy*: Social protection is defined as the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income. The 2001 Social Protection Strategy defines social protection as a set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income. It spells out the scope of ADB's commitment to develop priority interventions in supporting social assistance and welfare service programs including child protection and micro- and area-based schemes to address poverty, and vulnerability; social insurance programs to cushion risks associated with unemployment, ill-health, disability, work-related injury and old age; and labor market policies and programs designed to generate employment, improve working conditions²³.

113. *ADB's Gender and Development Policy* (1998) adopts gender mainstreaming as the key strategy for promoting gender equality and women's empowerment across the full range of ADB operations. For all ADB projects, where appropriate, gender mainstreaming strategies are included in the project design. During project implementation, gender related objectives and components are systematically monitored and reported to assess achievements, and their impact.

114. *ADB's Access to Information Policy* (2018) reflects ADB's ongoing commitment to transparency, accountability, and participation by stakeholders. It also recognizes the right of people to seek, receive, and impart information about ADB's operations. The policy, led by an overarching principle of clear, timely, and appropriate disclosure, contains principles and exceptions to information sharing with external stakeholders. ADB's website is the primary medium for disclosure. Where necessary, more appropriate means of information dissemination will be used that considers such things as literacy level, geography, infrastructure, and popular mass media for reaching project-affected people.

²³<https://www.adb.org/documents/social-protection-strategy>

5. AUDIT FINDINGS – REVIEW OF IAL CORPORATE ENVIRONMENTAL AND SOCIAL POLICIES AND APPROACHES APPLIED FOR THE PROJECT

5.1 BACKGROUND INFORMATION ON UZBEKISTAN AND PROJECT AREA

115. The Republic of Uzbekistan is situated between the rivers Amu Darya and Syr Darya, and covers an area of 448.9 thousand sq. km. The length of the territory of the Republic from west to east is 1425 km from north to south is 930 km. The territory in the north and north-east of the Republic of Uzbekistan borders with Kazakhstan, in the east and south-east with Kyrgyzstan and Tajikistan in the west with Turkmenistan, in the south with Afghanistan. The total length of the country border is 6221 km. The long border with Afghanistan is 137 km, with Kazakhstan is 2203 km, with Kyrgyzstan is 1099 km, with Tajikistan is 1161 km, and Turkmenistan is 1621 km.

116. The Republic of Uzbekistan for an administrative purpose is divided into 12 provinces and the Republic of Karakalpakstan, which represents about a third of the country in land area in the northern part of Uzbekistan. Due to its location within a series of endorheic basins, none of its rivers lead to the sea with the two largest emptying into the Aral Sea. Uzbekistan has a continental climate, with a relatively short winter season and a long growing season with adequate water resources for most part of the country. The average summer temperature tends to be about 40C (104F), while the average winter low temperature is around -23C (-9F).

117. The population of the republic is 35,271,256 people and the key details on the area, number of districts, communities, population)²⁴ by region are presented in table 10 below.

Table 10. Administrative area and population by region

Administrative area	Area (thousand sq.km.)	Districts	Total - cities	Total population, thousand people	Urban population, thousand people	Rural population, thousand people
<i>Republic of Uzbekistan</i>	448.97	176	120	35271.3	17932.6	17338.7
Republic of Karakalpakstan	166.59	16	12	1948.5	954.2	994.3
Andijan	4.30	14	11	3253.5	1699.2	1554.3
Bukhara	40.22	11	11	1946.8	725.8	1251
Jizzakh	21.21	12	6	1443.4	675.3	768.1
Fergana	6.76	15	9	3896.4	2188.7	1707.7
Kashkadarya	28.57	13	12	3408.3	1460	1948.3
Khorezm	6.05	11	3	1924.2	636.1	1288.1
Namangan	7.44	13	8	2931.1	1899.5	1031.6
Navoi	111.10	8	7	1033.9	505.5	528.4
Samarkand	16.77	14	11	4031.3	1483.1	2548.2
Surkhandarya	20.1	14	8	2743.2	993.3	1749.9
Sirdarya	4.28	8	5	878.6	374.3	504.3
Tashkent	15.14	15	16	2941.5	1477	1464.5
Tashkent city	0.45	12	1	2860.6	2860.6	0

²⁴ The State Committee of the Republic of Uzbekistan on Statistics; data as of January 1, 2022; <https://stat.uz> (accessed in March 2022).

118. IAL facilities are located in Kashkadarya and Sirdarya regions. According to ESIA, Kashkadarya and Sirdarya regions of Uzbekistan have been selected by the GoU (for the Project considered to be funded by EBRD and IFC) as traditionally specializing in the cotton sector. IAL with the support from IFC, completed a Feasibility Study in 2018 to confirm that the proposed regions are optimal for cotton farming, understand local advantages and disadvantages and select districts for cotton farming. The Feasibility Study considered and assessed the climate and soil conditions, rotation crops farmed, cotton varieties, vegetation periods, soil salinity issues, access of water resources and availability of the local workforce. Based on recommendations of the Feasibility Study four districts have been selected for cotton farming: Kasbi and Nishon both located in the southern part of Kashkadarya region and Oqoltin with adjacent Sardoba district in the old, irrigated zone of Sirdarya region. The project regions are shown of the map of Uzbekistan below (see figure 2).



Figure 2. Location of the IAL operation regions²⁵

5.2 THE COTTON CLUSTERS AND FE INDORAMA AGRO LLC

119. Cotton clusters are considered by the GoU and a wider international community as a possible solution towards eradicating forced labour and child labour in cotton farming and production. There is no formal definition of the term “cotton cluster”, but it describes a structure whereby the government allocates a defined area to a private investor who in return commits to growing cotton (either by direct farming and/or by contracts with existing/new farmers) and to establishing processing and/or

²⁵ Source of the map: <https://ontheworldmap.com/uzbekistan/>

manufacturing facilities for end use of cotton within the country. The main objectives are to reduce the role of the government in cotton production, create jobs and position Uzbekistan as an exporter of textiles and garments rather than raw cotton.

120. To respond to the GoU initiative, Indorama Corporation Pte. Ltd. decided to set up a cotton cluster in Uzbekistan and start growing its own cotton (with rotation crops). The cotton cluster of Indorama includes:

- The existing spinning facility in Kokand commissioned in 2010 in Fergana region of Uzbekistan and operated by FE “Indorama Kokand Textile” JSC (an indirect subsidiary of the Indorama Corporation Pte. Ltd.)
- The cotton farming project in Kashkadarya and Sirdarya regions of Uzbekistan to grow cotton for captive consumption at the spinning plant in Kokand and for any future spinning capacity.

121. Indorama Corporation Pte. Ltd. established a company FE “Indorama Agro” LLC (IAL, company) in Uzbekistan to develop and implement the cotton farming scheme for the cluster. IAL is one of the largest cotton farms in the Republic of Uzbekistan. It was established in 2018 after the GoU started a privatization process for the cotton farming sector in the country.

122. The IAL operations are located in Kashkadarya and Sirdarya regions of Uzbekistan in the basins of Kashkadarya and Syr Darya Rivers respectively, which are fed by fresh water from Pamir Mountains glaciers. These two regions are characterised by a developed agricultural sector and extensive irrigation systems for the cropping areas. See the map below.



Figure 3. Regions of IAL's farming operations.

123. IAL has two cotton farming schemes: direct farming (also known as corporate farming), which is managed by IAL, and contract farming, which involves local farmers who produce and deliver cotton and wheat to IAL. The IAL's direct farming operations cover 50,000 hectares in Kashkadarya and Sirdarya regions.

124. Contract farming initiated by IAL in 2019 to support local farmers, has been launched in Kasbi district first and further extended to Nishon district. As of 2022, the IAL's contract farming operation is limited to Kashkadarya region. IAL-contracted farms are receiving financial assistance (pre-financing, seeds, fertilizers, defoliant, and chemicals), continuous agronomic support and training, and in return deliver cotton to IAL at a price no less than the price set by governmental gins and/or based on market mechanism established from time to time. Actual area under contract farming may

vary from year to year depending upon voluntary participation by the independent farmers. In addition, the areas under the cotton and cereals (other rotation crops) vary from year to year. Proposed ADB loan proceeds will only be used for IAL's contract farming operations, whereby the IAL engages local cotton farms to grow and deliver harvested cotton to the IAL via supply contracts for processing. The IAL's contract farming process flow is provided in figure 4 below.

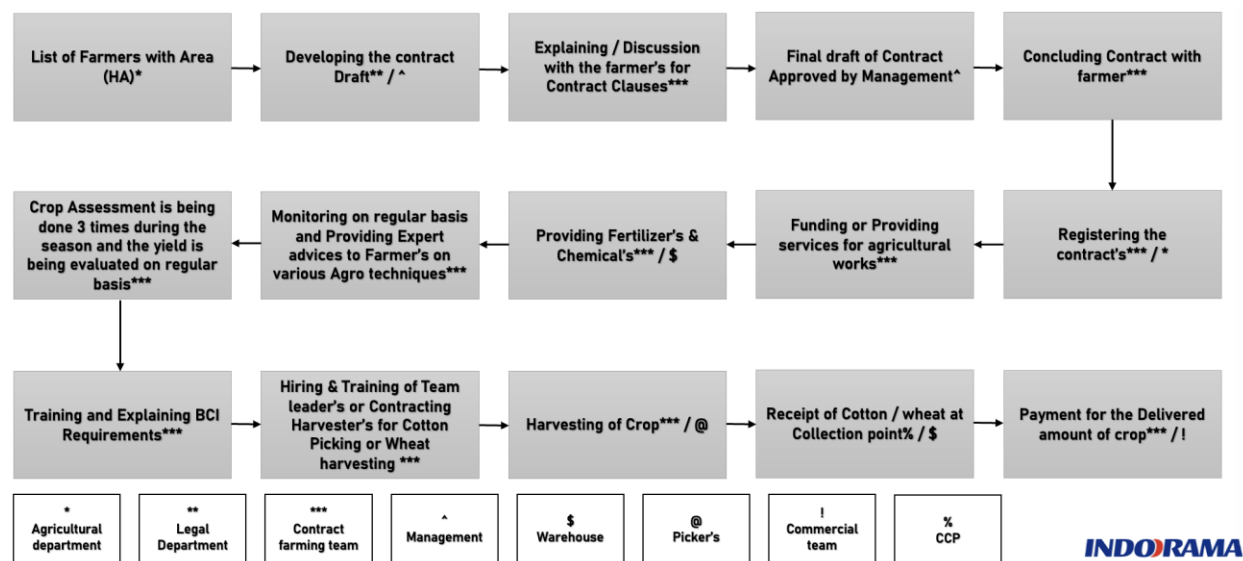


Figure 4. IAL contract farming process flow (source: IAL)

125. EBRD and IFC project of IAL: The European Bank for Reconstruction and Development (EBRD) and International Financial Corporation (IFC) support the modernisation of agriculture and enhanced economic opportunities for the local population in Uzbekistan with a financing package of up to US\$ 130 million to Indorama Agro (Indorama). According to information posted on IAL website²⁶, the package consists of a US\$ 60 million capital expenditure loan each from EBRD and IFC and a US\$ 10 million working capital loan in Uzbek sum equivalent from EBRD. It will support the operations of Indorama, an established cotton industry player engaged in rotational crop farming, a systematic approach to selecting locations and cycles of crop planting.

5.3 THE PROPOSED PROJECT AND CATEGORIZATION

Scope of the Proposed Project

126. The proposed ADB loan to Foreign Enterprise Indorama Agro Limited Liability Company (IAL) will provide a loan facility of up to \$15 million to finance incremental working capital required by cotton and wheat contract farmers in Kashkadarya Region. This will impact the livelihoods of over 3,600 contract farmers and farm workers by fiscal year (FY) 2024 by providing advances and training to enable the productive cultivation of cotton and wheat, and reliable income for farms and workers. ADB loan will be solely used as advanced financing for IAL's contract farmers and will exclude its corporate farm. As part of the Audit, however, assessment covered IAL's overall operations with a focus on contract farming operations in Kashkadarya.

²⁶ <https://www.indorama-agro.com/EBRD-&-IFC-helps-Indorama-introduce-advanced-cotton-farming-technologies-in-Uzbekistan.php>

127. In terms of project categorisation which should be commensurate with the nature, location, sensitivity and scale of the project, and the significance of its potential adverse future environmental and social impacts, the proposed project is categorized as B on environment and category C both for involuntary resettlement and indigenous peoples. The proposed project loan will only cover contract farming operations of IAL and will be used to prefinance cotton and wheat contract farmers. The categorization on environment took into account that project operations cycle cover cotton and wheat growing and production (up to the ginning), Categorization for involuntary resettlement impacts considered the fact that land acquisition and resettlement impacts linked to corporate farming operations of IAL are not part of the proposed project. In addition, the proposed Project is not expected to have impacts on indigenous peoples or vulnerable ethnic groups and can be categorized C for Indigenous Peoples (Annex VII).

CORPORATE STRUCTURE

5.4 ORGANIZATIONAL STRUCTURE

128. The organizational structure of IAL is provided in figure 5 below²⁷. The organogram demonstrated the upper management and key departments, while the detailed staffing under the head of department is not provided (marked with triple dots for departments with subordinated staffing).

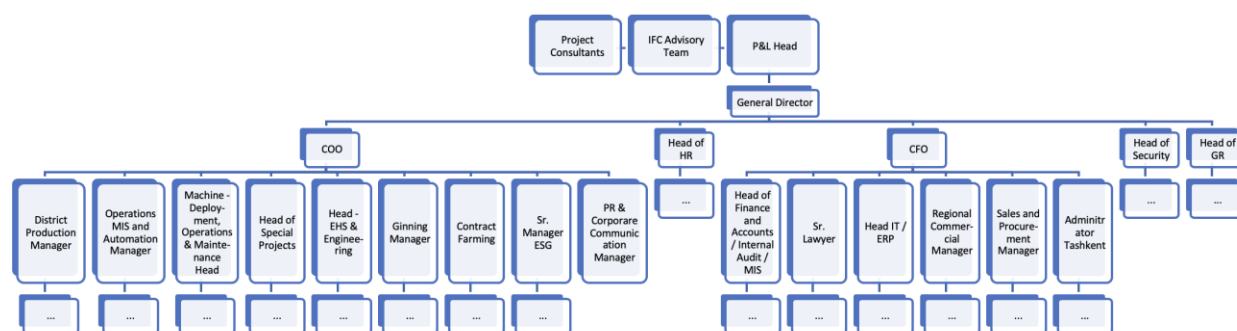


Figure 5. IAL's organogram (source: IAL, adapted from detailed organogram)

129. The key department responsible for E&S management is the Environmental, Social and Governance (ESG) department which is under the office of the Chief Operations Officer. During the time of this E&S audit, the department had 7 specialists with 2 positions that are yet to be filled up. The department is managed by a Senior Manager and supported by Quality Assurance and Monitoring Representative (both managers are expat professionals while the rest of the staff are locals). The Senior Manager supervises the CSR Coordinator (vacant position). The two Community Liaison Officers (CLO) and two GRM officers (one Community Liaison Officer and one GRM officer work in each of two regions) reports to Manager ESG.

130. The ESG department interacts with other structural units within the IAL's structure, in particular: the HSE and Engineering department (on health and safety, pesticides and waste management) Human Resources department (on labor), Government Relations department (on appeals), Production department (on direct and contract farming), MIS and Warehouse department (on inventory management), Special Projects department (on BCI, Water

²⁷ This organogram was prepared based on the detailed organogram shared by IAL during the audit. The initial organogram if very large and cannot be adapted to be demonstrated on one page.

Stewardship, Biolabs), department of Maintenance (on machinery, vehicles).

131. In the meantime, based on the organograms provided by IAL and discussion with ESG department and HSE and Engineering department²⁸, as well as following review of ESMPs, it became clear that most of the functions related to environmental management, monitoring and reporting, along with the health and safety are under the scope of the HSE department, that includes two Ecologists / Environmental Managers (one in each region) subordinated directly to the Head of HSE department.

132. In addition, external consultants were engaged for E&S studies and preparation of reports. In particular, the preparation of ESIA package for Cotton Farming Project was undertaken by Mott MacDonald in 2019-2020 in line with the environmental and social policies and performance requirements and standards of IFC and EBRD. In addition, ERM India is currently engaged to support IAL with development / update of ESMPs and ESMS, as well as for the provision of ESMS implementation training and review.

133. The organizational structure of IAL's ESG department and HSE and Engineering department is presented further in Figure 6²⁹:

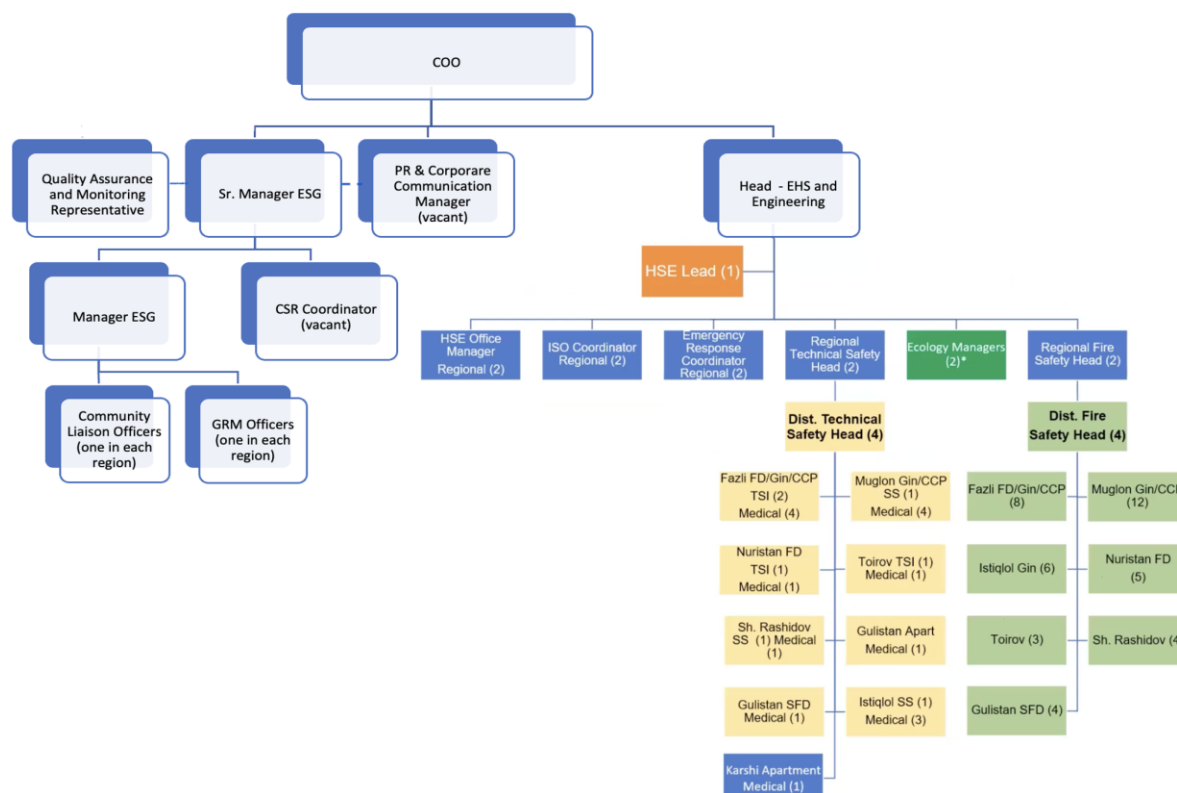


Figure 6. IAL's ESG and EHS departments organogram (source: IAL)

134. The ESMS requires IAL to establish an institutional structure for effective and consistent implementation of the ESMS. According to clarification provided by IAL, the Sr. Manager ESG is

²⁸ In the documents provided by IAL the department is mentioned as HSE and ESH abbreviations are used interchangeably. In this report the version EHS is used for consistency.

²⁹ This organogram was prepared based on the detailed organogram shared by IAL during the audit. The initial organogram is very large and cannot be adapted to be demonstrated on one page.

a designated personnel at IAL in charge of effective implementation and roll out of the ESMS at all levels of the Company. The draft ESMS states that the ESG Committee will bear the overall responsibility for driving the execution of the ESMS. In particular, the COO will chair the ESG Committee and be accountable for compliance of IAL's operations to meet the requirements of the ESMS across all levels, while the Senior Manager - ESG will be responsible for driving the implementation in coordination with other teams. In the meantime, the draft ESMS does not specifically mentioned the team member responsible for implementation, monitoring and reporting (this section of draft ESMS is yet to be completed). ESG Committee will be composed of the following members of IAL team:

- Chief Operating Officer (who will chair the Committee)
- Chief Financial Officer
- Senior Manager - ESG (who will be the Member Secretary of the Committee)
- PR & Corporate Communications Manager
- GR Manager
- Quality Assurance & Monitoring Representative
- Manager – ESG
- HSE Head
- CSR Coordinator
- Community Liaison Officer (CLO)
- Grievance Redressal Officer (GRO)
- Lead Human Resources
- Lead Security

Corrective actions:

- ➔ ESMS needs to elaborate in detail the scope of functions and responsibilities of each member of the ESG Committee and each unit and personnel contributing to ESMS implementation;
- ➔ Following the development of ESMS, the responsibilities of various departments specified in ESMPs, procedures shall be aligned with responsibilities for implementation, monitoring and reporting to be specified in the final ESMS;
- ➔ Update the organizational structure (if needed) in accordance with approved ESMS to ensure a clear structured corporate approach and proper central coordination and oversight over ESMS and ESMP implementation, E&S monitoring, and reporting.

5.5 CORPORATE ENVIRONMENTAL AND SOCIAL POLICIES

135. IAL has established and is in the process of preparation of a number of E&S corporate documents, including ESMS and ESMPs. The ESMS is under preparation, and during the preparation of this report the first draft of the ESMS was reviewed. IAL engaged an external consultant (ERM) to carry out the three-phase task on development/update of ESMS and provision of ESMS implementation training and review. At the time of preparation of this report, the first draft version of ESMS was provided, with only limited information included in it (most of the sections were empty and the remaining once's required additional review to ensure consistency once the full draft is provided. In addition, ESMS referred to management plans, most of which were not available (or available in full) at the time of the audit and preparation of this report and required further improvements. It is expected that the final ESMS (phase I) will be made available by end of 2022, following which the training (phase II) will take place. The ESMS implementation review (phase III) will be carried out in 6 months following training implementation. The ESMS is aimed at defining standards, protocols and procedures, institutional and implementation arrangements at the corporate level for managing environmental and social risks and opportunities associated with IAL's operations

with respect to the cotton farming project in Uzbekistan. ESMS will cover E&S aspects across the life cycle from inception to operations, as well as future operations of IAL with respect to farming activities. The draft ESMS states that IAL is committed to fulfil its business objectives by remaining compliant to prevalent regulatory requirements, maintaining stakeholders' trust, and remaining sensitive towards social and cultural values of the communities around which it operates in. It is also benchmarked against International Financial Corporation (IFC) Performance Standards (PS), 2012, and EHS Guidelines applicable to the sector as well as good practice notes on multiple E&S aspects (such as Stakeholder Engagement, Grievance Redressal Mechanism, IFC Good Practice notes on Gender Based Violence & Harassment working with communities, etc.) and European Bank for Reconstruction and Development (EBRD) Environmental and Social Policy and Performance Requirements (PR). While ESMS includes information on legal and regulatory framework, E&S and other policies, identification of risks and impacts, management programs, roles and responsibilities, stakeholder engagement, grievance handling and redressal, emergency preparedness and response, training and capacity building, and monitoring and reporting, it was noted that the existing draft document is rather basic and some of its sections are not completed yet, and significant improvements are required to make sure the ESMS is finalized and acceptable to IAL and lenders to ensure IAL's compliance with lenders' (including ADB) requirements. The reference to ADB SPS and other relevant policies, as well as PIAL shall also be added to ESMS.

136. IAL currently follows a number of separate policies and procedures (19 policies and 5 procedures) to address the environmental and social aspects of IAL operations. No separate E&S Policy is developed; however, it is in fact currently substituted by a number of policies developed and applied by IAL. The policies and standards operating procedures (SOP) relevant to each policy (matched by E&S Consultant) are presented in table 11 below.

Table 11. IAL policies and procedures provided for review:

No	Policy title	Policy date	Procedure title	Procedure date
1	Human Resources Policy	15.01.2021		
2	Human Rights Policy	05.06.2021		
3	Recruitment Policy	14.09.2022		
4	Policy on compensation for work (overtime, day off and holidays)	06.09.2022		
5	Personnel Assessment Policy	14.09.2022	Personnel Assessment SOP	02.11.2021
			Risk Management SOP	05.05.2021
6	Prevention of Sexual Harassment Policy	14.09.2022		
7	Harassment Free and Respectful Workplace Policy	14.09.2022		
8	Code of Conduct Policy	28.05.2022		
9	Ethics Policy	28.05.2022		
10	Whistle Blower	28.05.2022		
11	Learning and Development Policy	05.05.202		
12	Training and Mentoring Policy	14.09.2022		
13	Procurement Policy	05.09.2022		
14	Supplier Code of Conduct	05.09.2022		
15	Contractor Training Policy	05.09.2022		
16	Environmental and Climate Change Policy	05.09.2022		
17	Grievance Redressal Policy	05.09.2022	Grievance Redressal SOP	

18	Agro Pesticides Management Policy	05.09.2022	Restricted Entry Interval (REI) for Agro Chemicals Application in Agriculture Fields SOP	05.09.2022
19	Health and Safety Policy	05.09.2022	Personal Protective Equipment SOP	05.09.2022

137. These policies state IAL's general approached and operational commitments with respect to the specific subject covered by the policy, while SOPs are more specific and consider the subject area and issues in detail. The SOPs are not referring to specific policy, and in the above table are matched with most relevant policies. Majority of this policies (14 policies) are very brief (1-2 pages) and lack specific details and, according to IAL's clarification, the policies are kept brief since more details are included in SOPs. Moreover, some of the policies are complementing each other and refer to various aspects of the same issue (e.g., number of policies relates to human resources, etc.). Thus, some of the policies can be combined to provide more comprehensive understanding of the subject and avoid repetition, for example Human Resources Policy, Human Rights Policy, Recruitment Policy, Policy on Compensation for Work (overtime, day-off, holidays), Harassment Free and Respectful Workplace Policy, Whistle Blower Policy, Personnel Assessment Policy are all 1-2 pages each and lack specific details on employment contract signing, probation period, wage calculation approach, vacation / rest period calculation, social benefits and insurance provided to employees, etc. (these topics were of utmost interested for the employees). These policies and procedure on personnel assessment, and procedure on risk management can be combined into one updated HR Policy or handbook, providing all the above details (this can be used as a key guidance tool without referring to multiple documents). The updated HR Policy / handbook potentially can also include the Code of Conduct, Ethics Policy, Prevention of Sexual Harassment Policy, Learning and Development Policy, Training and Mentoring Policy, which are all aspects related to human resources. The updated HR policy can serve as a one comprehensive document addressing all HR issues and streamlining the processes, avoiding the need to address to multiple documents and keep them coordinated.

138. It was noted that some of these policies are developed by Indorama Corporation Pte. Ltd., that requests each Indorama business (including IAL) to implement this policy. The policies³⁰ developed and disclosed by Indorama Corporation Pte. Ltd. include: (i) Code of Conduct, (ii) Environment and Climate Change Policy, (iii) Product Stewardship and Treatment of Customers Policy, (iv) Community and Stakeholder Policy, (v) Human Rights and Labour Policy, (vi) Responsible Business Policy, (vii) Health and Safety Policy, (viii) Intellectual Property Policy, (ix) Social Media Policy.

139. In addition to policies and procedures, a total of 16 ESMPs were drafted for IAL in 2022 and at present are in process of finalization. Details on these ESMPs are provided below:

- Environmental Monitoring Plan enables IAL to monitor and assess environmental condition on a periodic basis to identify environmental impacts that may occur during its construction and operation phase (it covers monitoring of air quality, noise, water, wastewater, emissions).
- Waste Management Plan has been prepared and covers waste generation, storage, handling, and disposal from IAL operations. Waste separation is carried out with appropriate waste collection bins established at all sites.
- The scope of the Housekeeping Plan encompasses waste handling and disposal, cleaning of leakage and spillage, cleaning of office buildings related to cotton and wheat farming/processing.

³⁰ <https://www.indorama.com/policies>

- Oil Spill Prevention Plan addresses the preventive measures and response actions associated with potential spills resulting from storage and handling of fuel, lubricants, used oil etc. from IAL operations at its ginning and farm depot units.
- Wastewater Management Plan addressing domestic wastewater, storm water runoff, wastewater from washing agricultural and other machines contaminated with oil and petroleum products (the wastewater from chemicals mixing and washing of contaminated containers is not covered by the plan).
- Pesticides, Defoliant and Fertilizers Management Plan is applicable to all IAL operations involving use of these chemicals, as well as to personnel involved in the handling of these chemicals. List of pesticides and chemicals used by IAL for direct and contract farming is provided in the Annex IV.
- Stakeholder Engagement Plan is aimed at enabling active and meaningful engagement with the stakeholder groups by identifying different mechanisms for the participation of stakeholder groups, especially vulnerable groups.
- Internal Grievance Redress Mechanism outlines the procedure for managing internal grievances from IAL's employees, including both direct employees, contractual/indirect employees (including contract farmers), seasonal/irrigation workers, as well as expat workers.
- External Grievance Redress Mechanism outlines the procedure for managing grievances and complaints raised by external stakeholders comprising of the local communities, Mahalla, etc. residing nearby the IAL project area, in a planned, timely and respectful manner.
- Occupational Health & Safety Plan represents the commitment of the top management towards the safety of their employees and contractors working all the sites.
- Emergency Preparedness and Response Plan is an outline of the procedures required to be followed by all the workers, and visitors at site in the event of an emergency / handling sudden or unexpected situations.
- Community Health & Safety Plan outlines IAL's plan for managing and mitigating risks that could affect the health and safety of communities surrounding the project area.
- Traffic Management Plan outlines the proposed approach for the management of traffic during the operation of cotton farming by IAL to provide a systematic approach for the management of project vehicle movement to reduce the risk of accidents and traffic congestion at and around the project area. This Plan covers both direct and contract farming operations.
- Security Management Plan defines the minimum requirements for the designated IAL security management staff, contractors and security personnel engaged at IAL's sites.
- Worker Accommodation Management Plan defines the actions to manage the workers' accommodation that will be required for IAL, in particular, the requirements for the location and construction of workers' accommodation, general living facilities, room facilities, sanitary facilities, canteen and cooking facilities, including food safety, medical facilities, leisure/social facilities, and security arrangements.
- Chance Find Procedure outlines actions required if previously unknown heritage resources, particularly archaeological resources, are encountered during project construction or operations.

140. The ESMPs are in process of finalization. ESMP preparation also forms part of Environmental and Social Action Plan which IAL committed to implement as part of IFC and EBRD requirement for its existing loan. The Environmental and Social Action Plan has in total 27 commitments starting from dedicated ESG team, Policy, and Management Procedures for ESMS Implementation, Livelihood Restoration Program for farmers, Establishment of Grievance Redressal Management System with timely resolution, Labor working conditions, Community

Health & Safety, Gender Based Violence & Harassment, Water Stewardship, Implementation of BCI Principles at direct and contracting farming operations and E&S Information disclosure. In addition, for the construction of its facilities, the IAL followed the requirements of local legislation and worked towards ensuring that all relevant documents are developed and permits and agreements are in place (details on permits are provided further in section on Environmental and Social Performance).

141. Based on organization structure of IAL, at the time of the preparation of this report, the key Environmental, Social and Governance (ESG) department has been nominated as a key liaison point for E&S Consultants team and is responsible for social, stakeholder engagement, grievance redress, while the HSE department is responsible for environmental and health and safety issues.

Corrective actions:

- ➔ Finalize the draft ESMS, where (i) corporate level E&S policy and its management are detailed and organizational structure for the ESMPs implementation and ESMS oversight is streamlined; (ii) categorization and screening for ADB Prohibited Investment Activities List; (iii) contractor and supplier management system; (iv) monitoring and reporting of ESMS implementation.
- ➔ Finalize set of draft ESMPs. The responsibility for ESMPs implementation mostly lies with the HSE department, while for the E&S related documents it should be rather the ESG department. ESG department shall be responsible for oversight of implementation of all ESMPs. With respect to ESMP implementation the ESG department can seek input and action from other departments; however, the ESMP shall not be completely delegated to other departments without any involvement of the ESG department.
- ➔ Ensure alignment of the requirements and responsibilities among ESMS, ESMPs, policies and procedures to ensure a structured corporate approach towards assessing environmental, health and safety, social and gender aspects for all projects being implemented by IAL. Documents covering various aspects of the same issue shall be cross-references, so in case of updating one of the document's all linked documents are also verified to introduce relevant changes.
- ➔ Consider optimization of the policies by collecting all interconnected policies into one updated document (or set of documents) to provide a comprehensive approach to the issue and facilitate implementation, monitoring and reporting (e.g. the first 12 policies provided in the table 10 can be combined into one updated HR policy (set of policies or handbook), which will include all relevant aspects of the human resources management, as well as details on employment contract signing, probation period, wage calculation approach, vacation / rest period calculation, social benefits and insurance provided to employees, etc. (these topics were found to be most important and less clear for most of informally interviewed employees). Such comprehensive HR policy (set of policies or handbook) shall be translated into the languages spoken by the workforce and attached to all employment contracts.
- ➔ Establish and maintain a repository of E&S documents, permits, agreements and reports to ensure effective management of documentation, to track the status of the documents and follow up with obtaining / renewing permit, contract as well as facilitate monitoring and reporting processes.
- ➔ Carry out knowledge/Information exchange across sites/regions to ensure that policies and procedures are duly implemented. This will help to resolve the issue of varying level of expertise/ education/ knowledge of experts in different sites/facilities.

5.6 LABOR MANAGEMENT PRACTICES

5.6.1 Labor Management Practices for Employees

142. As of October 2022, the number of IAL employees comprised 2097, of which 492 are

permanent employees, including 186 in Kashkadarya region (including 13.4% female employees) and 306 in Sirdarya region (including 7.8% female employees), as well as 1605 seasonal employees, of which 1179 in Kashkadarya region (including 14.2% female employees) and 426 in Sirdarya region (including 3.3% female employees). In total, 196 expat employees are engaged by IAL, including 104 in Kashkadarya, 87 in Sirdarya and 5 in Tashkent. The breakdown of the workforce by regions, employment type (permanent or seasonal employment) and gender of employees is provided in table 12 below.

Table 12. Distribution of IAL permanent and seasonal employees by region and gender

Region	Permanent employees			Seasonal employees		
	Male	Female	Total	Male	Female	Total
Kashkadarya region	161	25	186	1012	167	1179
Sirdarya region	282	24	306	412	14	426
Total	443	49	492	1424	181	1605

143. Most of IAL's employees (87.7% in total) are engaged in functions related to production, supply chain, security, and engineering, while 8.8% of positions are represented by management and administration employees. Group of employees covering HR, finance, IT, and other positions represent the remaining 3.5% of the workforce.

144. Labor management in IAL is guided by several policy documents, including a Human Resources Policy, Human Rights Policy, Recruitment Policy, Policy on compensation for work (overtime, day off and holidays), Personnel Assessment Policy, Prevention of Sexual Harassment Policy, Harassment Free and Respectful Workplace Policy, Code of Conduct Policy, Ethics Policy, Whistle Blower, Learning and Development Policy, Training and Mentoring Policy as well as Personnel Assessment SOP and Risk Management SOP. Some of these policies that are considered key from employee management perspective are detailed below.

145. The Recruitment Policy (No H.01.F5-P1/D002 dated 14.09.2022) provides robust framework for an effective recruitment process to engage and retain talented candidates, through promotion of equality and diversity principles and best practices. The Policy guides effective recruitment process by providing guidelines to recruiters and other HR professionals.

146. The Human Resources (HR) Policy (No H.01.F1-P1/D001 dated 15.01.2021) confirms that the mission of IAL is acting in interests of society, consumers, shareholders, and employees – and is designed to within the legislative framework of Uzbekistan. The HR policy emphasizes that IAL is committed to:

- Motivate each employee to achieve individual and common goals,
- Assess the individual contribution of each employee based on performance appraisal
- Fairly reward employees for their achievement aligned with the market practices of the country in similar industry
- Provide equal opportunities for the development of each employee irrespective of gender
- Attract relevant talents and provide suitable opportunities for skill development based on their capabilities and potential
- Train and develop each employee and provide them with safe working conditions
- Create an effective general reward system to motivate
- Comply with all applicable legal requirements continuously improve working conditions for employees

- Take care of health and safety of employees
- Pay equal pay for equal work irrespective of gender.

147. Human Rights Policy (No H.01.F1-P2/D001 dated 05.06.2021) is applicable to all employees and entities of IAL and expresses commitment to respect human rights as embodied in the Universal Declaration of Human Rights and its corresponding covenants. During discussion the Head of HR noted that the short version of the policy is disclosed on the website of IAL mentioning the vision statement. This short version of the policy was provided to E&S Consultant for review and for analysis.

148. Harassment Free and Respectful Workplace Policy (No H.01.F1-P3/D001 dated 14.09.2022) states IAL's commitment to providing a safe and respectful workplace, free of violence and discrimination as part of our operations in which the dignity of each individual is respected. This policy applies to all direct employees and workers, including contractual or supply chain workers operating at IAL site. The purpose of the policy is to make all employees and workers aware that acts of discrimination, harassment, and violence are unacceptable and will not be tolerated. It is also intended to make all employees / workers aware that there is a process in place to report any form of discrimination, harassment, and or violence without fear of retaliation.

149. Policy on compensation for work (overtime, day off and holidays), dated 06.09.2022, regulates the payment for attracting an employee to work overtime, day off and holidays. The policy also explains the algorithm of formalization steps, aspects of compensation for such work. With respect to overtime work, the policy lists the steps of defining the categories of workers that can be attracted for overtime work, familiarizing employee, and obtaining the consent of an employee, payment calculation options. For overtime work the employees are provided with at least double pay, or with the time off with a single pay (based on preference of an employee). With respect to attracting employees to work on weekends and non-working holidays the policy mentions that the need for such work may occur for processes that cannot be suspended due to production needs, technical conditions related to service/urgent repair and loading/unloading operations. The policy provides detailed steps on defining the employees who can be called in for such works, the process of agreeing the engagement with an employee and payment. Similar to overtime pay, in this case as well the payment is at least the double pay, or with the time off with a single pay (based on preference of an employee) is provided to employee. Since the IAL uses a time-based wage system, extra pay for the work on a weekend or holiday is determined based on the hourly or daily rate.

150. Personnel Assessment Policy (No H.01.F9-P1/D001 dated 02.11.2021) explains the systematic approach to gathering skills and competency information about employees. This information is used to make career-related decisions about the employees. The company conducts the assessment (i) to measure the abilities: skills, work styles, work values, or vocational interests of the employee; (ii) to predict: job performance, managerial potential, career success, job satisfaction or tenure of the employees; and (iii) to perform the following human resource functions: placement, promotion, career counseling, succession planning and /or training. This policy is also complemented with Personal Assessment SOP (No H.01.F9-SOP/D001 dated 02.11.2021) is an internal procedure that is applicable for HR and provides actions for the annual personnel assessment.

151. According to the Head of HR, the recruitment process is based on the annual business plan, which includes the workforce hiring requirements for the coming year (the business plan for the next year is prepared at the end of previous year). Overall, IAL has three types of employees:

permanent employees, seasonal employees, and some ad-hoc lump-sum workers.

- Permanent employees (nano-unit and production-related employees, support and service functions, such as accounting, HR, logistics, legal team, warehousing, etc.) are employed throughout the year. The job descriptions are prepared by the relevant departments and used for hiring. Selection for managerial and high-level positions required the approval of top management (up to CEO), recruitment for most white-collar and blue-collar jobs is approved by the Head of HR. The staffing table, accounting for every employee, is maintained at IAL. The need for employees is defined by departments, forwarded to regional HR teams, and then to the Head of HR and CEO. For the new positions, in the beginning, the employees are engaged based on term-based contracts for 3-6 months (considered as probation), which included the benefits for the employee, and allows IAL to judge: (i) whether the employee fits that position, and (ii) whether the work is required throughout the year or only temporarily (e.g., during peak workload). Based on this, the final decision is made on whether the position is shifted to permanent employment or stays as term-contract, or position is revised. IAL also tries to provide a career growth opportunity to its employees through training, learning and development. Moreover, for some of positions, it is complicated to find skilled employees, thus IAL hires unskilled employees and then trains them (e.g., it was difficult to find an employee for learning and development specialist, as it is relatively new to RoU, so the selected candidate was trained). It was noted that some of the permanent positions are associated with seasonal operations (e.g., gin the maintenance crew, production management, etc.), however, IAL retains them on a permanent basis to not lose the professionals.
- Seasonal employees are hired for agricultural activities (e.g., chipping, pesticides handling and pest control, irrigation, cotton picking) and non-agricultural (ginning, etc.) activities. The works related to seasonal agricultural activities are short-term and usually considered by involved workers as an opportunity of side cash income (IAL tried to engage them for wage; however, the turnover of the manpower was high, and it was difficult to engage and retain sufficient manpower). All agricultural works are done in cycles, and are of limited duration with interruptions, for example: (i) chipping is done in 2 or rarely in 3 cycles, each cycle takes 10-12 days and payment is made per ha; (ii) biological release of pests is done in 2-3 cycles, duration of each cycle is 5-7 days, and payment is made per ha; (iii) irrigation is done in 6 cycles (3 for cotton and 3 for the cereal), each cycle takes 10-12 days and the payment is made per ha; (iv) manual cotton picking is also done in 3 cycles (including for seed cotton retrieval to be used for the next planting season), in total takes about 40 days, and payment is made based on the weight of cotton picked at the field; etc.). Gins are working in multiple shifts (2 gins are working in 3 shifts and 1 gin is working in 2 shifts) during about 4 months (in rare cases of technical issues with gin it can take up to 4.5 months). An additional relief shift of gin workers is hired by IAL (in case gin works in 3 shifts, IAL hires people for 4 shifts to ensure availability of sufficient workers in case of additional works). The duration of the shift is 8 hours and if change in shift happens the gap (rest period) between the shifts should be at least 12 hours. For the gin workforce, the ginning managers jointly with regional HR prepare a manpower plan (the list of positions for each gin), including technical, non-technical, and support (firefighters, medical staff, HR, etc.). The plan is sent to the HR management for review, the wages are decided (the wages for the previous year are reviewed and topped-up to account for inflation), and then the hiring process begins. The local residents are considered for hire. Initially, the IAL faced the difficulty in finding technical staff in Syrdarya and had to hire unskilled labor and train them to be suitable for work.
- Lump-sum jobs (e.g., minor repair jobs, etc.).

152. In addition, to retaining the short-term workers engaged in seasonal work, IAL also

considers a multi-skilling model, that allows to offer them participation in other works not interfering with their seasonal engagement. Initially, this model was of low interest to workers but started to gradually gain attention.

153. Head of HR also emphasized productive collaboration with communities and mahallas in spreading information about open positions and finding local workforce (collaboration with khokimyats was of limited effectiveness). IAL organizes meetings in communities and mahallas, to distribute leaflets, provide details on available positions and the hiring process, and in addition, the Community Liaison Officers of IAL serve as a link between communities and IAL.

154. Hiring for white-collar positions usually takes up to 15-30 days (takes the most time in regions). The announcements for specific roles (e.g., lawyer, accountant, etc.) are posted at <https://hh.uz/> (a popular job search site in RoU), for more general positions (administrative and support jobs) the announcements are also posted in regional Telegram job search groups, which is proved to be very effective. For blue-collar positions, the hiring process takes 5-7 days (contrary to white-collar positions, in this case it is easier to find the staff in regions). In case of bulk hiring the announcements are posted in local newspapers and ads are run on local tv channels. For smaller scale hiring the local telegram job search groups are used. IAL also collects the resumes of interested candidates and stores them in their central database sorted by type of skill, and when the positions open up, the internal search in the database is carried out and suitable candidates are contacted. It was also mentioned that finding the workforce in Kashkadarya region is easier compared to Syrdarya region.

155. IAL carries out annual performance appraisal of employees, and based on performance their annual performance the revision of wages is undertaken (the wages always grow on annual bases to account for inflation and other factors, and depending on performance, the salaries are increased annually by 8% to 14%). In exceptional cases (extraordinary performance), the increase can reach up to 30-25%. In case the employee does not perform up to expectation, the performance improvement plan is prepared, and the employee receives focused attention from the supervisor to help to overcome performance issues. In cases when the employee's performance is found to be less than 60%, IAL considers transfer to another suitable position, and if it doesn't suit the employee, then IAL has no other option but to not continue the contract (this happens to 1-2% of cases only).

156. In terms of challenges, the Head of HR mentioned the shortage of irrigation specialists, and in order to resolve the issue IAL engaged students for paid internship, as a result of which the company hired 4 of them (1 person per district) to first understand the IAL's irrigation specifics and learn the new technologies applied by IAL, and then continue their work. IAL also engaged 13 students from Tashkent Institute of Mechanization in their pre-final year of study, as interns to work with harvesters (for cereal farming), learn to use machinery, and hopefully join IAL's workforce after graduation.

157. Another challenge mentioned by the Head of HR refers to finding a communication and public relation specialist, as well as a learning and development specialist. Most candidates are based in Tashkent, while the bulk of the IAL's work is in the regions. So, the option of taking a relatively suitable professional, ready to learn and providing the training to groom the employee and ensure that he/she can fulfill the scope.

158. Social benefits are included in the contracts, including medical benefits, and pension

benefits. For some of the positions (e.g., nano unit workers³¹), the contracts include fixed wages and incentive mechanisms based on performance. No contracts are terminated by IAL without providing an opportunity for an employee to consider and pursue another suitable job. The Head of HR confirmed that the labor relations are aligned with the requirements of local legislation and are also in compliance with IAL policies. A contract signed with one of IAL's employees engaged in the contract farming department was reviewed during the audit to confirm its compliance with the local legislation and IAL policies. The main contract is based on a template and does not include any information on the employee. The name of the employee, along with the information on wage, position, date of work commencement, workplace location, probation, duration of paid leave (15 days in the reviewed case), contract term (indefinite in the reviewed case) and other details are specified in the Attachment to the contract. The main contract includes sections on the terms of agreement, wages, working hours, rest time, rights and obligations of the parties, agreement amendment procedure and other provisions. The main contract is based on the legislation of RoU and includes multiple references to the legislation and articles of the Labor Code. In addition to the main contract and an attachment with the worker's information, the reviewed contract package also included Employment Order, a separate Contract on Full Personal Material Liability, and a Non-disclosure Agreement. In addition, the Code of Conduct (similar to the IAL's Code of Conduct, but not its copy) was appended to the main contract. In the meantime, during the preparation of this report a new Labor Code was adopted (entering into force on April 30, 2023), the requirements of which shall guide the HR practices of IAL along with the relevant IAL Policies.

5.6.2 Labor Management Practices for Non-Employees

159. According to the Head of HR, the key policies related to human resources (HR Policy, Human Rights Policy, and others) are also applicable to the process of labor management of non-employees. The main group of non-employees includes the workers of contractors, such as chippers working for chipping leader, workers engaged by irrigation leader, cotton pickers and other workers engaged by contract farmers. Apparently, HR department is not working directly with contract farmers and the liaison with them is undertaken by IAL contract farming team. In the meantime, the HR department provides the HR policy and relevant guidelines to the contract farming team, which in its turn shares it with the contract farmers and disseminates the information down the line.

160. According to the Head of HR, certain provisions of HR Policy, human and social rights are embedded in those contracts, including e.g., prohibition to engage minors, forced labor, prohibition of engagement of government officials, etc.). In addition, there's a separate Supplier Code of Conduct, which is aimed at defining the basic sustainability requirements placed on IAL suppliers.

161. In total 6 contracts (for works under direct farming) were provided by IAL for review (mostly for chipping works and nano unit), and all of them were based on the same template. All these contracts were for direct farming operations in Kashkadarya region (Kasbi district) and were signed with legal entities. In a few cases, copies of the company registration certificate and details of its banking account were added to the contract as additional annexes. According to the contract, IAL provides payment to the legal entity, which in its turn pays its employees. All the

³¹ Nano Unit Worker is an employee of the company, hired on a basis of the term employment. Nano Unit Worker is responsible for monitoring the quality agro-technical operations in his/her Nano Unit (a group of contours on average adding up to 120 ha), as well as for defending the field from external threats like cattle grazing and crop stealing, etc.

reviewed contracts are bilingual (English and Uzbek). (This information has been removed as it falls within the exceptions to disclosure specified in para 17 (2.v) of ADB's Access to Information Policy 2018.) The contract requires the Contractor to work in compliance with RoU laws, rules, regimes and regulations on labor safety and technical safety. The duration of the contract is not specified, and the contract is considered valid until the parties fulfill their contractual obligations.

162. First Annex to the contract specifically mentions that the workers shall be at least 18 years old. The Contractor bears overall responsibility for its workers, and in case of disagreement, it shall be settled without IAL's involvement. (This information has been removed as it falls within the exceptions to disclosure specified in para 17 (2.v) of ADB's Access to Information Policy 2018.) The policies or procedures developed by IAL are not explicitly referenced in the contracts.

163. According to the information provided by IAL, they do not review the contracts concluded by the contractors / sub-contractors with their workforce. It should be noted that performance of such monitoring is not required by the national legislation. In the meantime, while the contracts include provisions on prohibition of child and forced labor, and IAL is working to cascade its internal procedures to its contractors / subcontractors. IAL carries out daily monitoring whether labor and working conditions related to contractors' / subcontractors' workers are in line with the requirements of the contract signed with IAL. For example, the cotton pickers' group leaders engaged by IAL are present in the field; they lead engagement of cotton pickers (ensuring absence of minors and forced labor), as well as supervise their work and ensure that proper working conditions are provided (bus service by IAL, PPE, sanitary facilities, water, and meals). Picker leaders are hired and paid directly by IAL on seasonal basis. In case of any issues the cotton pickers are approaching the group leaders to raise their concerns and seek resolution. In addition, IAL's GRM is available for non-employees. Performance of contract farmers (in terms of crop quality, follow up in case of issues, adherence to proper fertilization and irrigation timelines, etc.) is monitored by agronomists (according to contract farmers) to ensure best possible crop yield.

164. Contract farming. IAL's structure includes a separate department that deals with contract farming. The department is subordinated to Chief Operating Officer and includes two Contract Farming Managers – one in Kasbi district, and another in Nishon district of Kashkadarya region (no contract farming takes place in Sirdarya region), as well as a team of PU Managers and Operations Supervisors managed by each of district Contract Farming Managers. It shall be noted, that according to information provided on the website of the Ministry of Agriculture of Uzbekistan (www.agro.uz, accessed in November 2022), there are 17 cotton clusters in Kashkadarya region. Total number of contract farmers working for 17 clusters is 5,780 and IAL engages 13.5% of total number of contract farmers in Kashkadarya.

165. No specific policies related to the management of contract farming operations are developed; however, IAL confirmed that the requirements of their key policies (such as Human Rights Policy, Code of Conduct Policy, Prevention of Sexual Harassment Policy, etc.) are applicable to contract farming arrangements, however the contracts do not include direct references to these policies. IAL does not have a separate policy of SOP covering contract farming operations. A template used to conclude contracts between IAL, and contract farmers (farms) was reviewed during the audit. The summary of contract provisions with a focus on E&S issues is provided below.

166. The contract refers to the production and supply of a raw cotton to IAL for processing in the specified amount dictated by the government for which the payment will be made. Additional prices are specified for the raw cotton grown in excess of the targeted yield. According to the

contract, IAL provides the farmer with seeds and fertilizers for the cultivation of cotton. (This information has been removed as it falls within the exceptions to disclosure specified in para 17 (2.v) of ADB's Access to Information Policy 2018.) The contract requires the farmer to take from the IAL's warehouse all supplies for raw cotton production (mineral fertilizers, fuel, chemical products, etc.) at its own expense using its own or leased equipment or vehicles.

167. Prior to the signing of the contract, the farmer will carry out the agro-technical measures for the production of raw cotton at its own expense, and upon contract conclusion, the IAL will reimburse costs incurred by the farmer. Expenses covered by the IAL are considered as an advance payment to the farmer and is part of the 60% advance payment. Contract includes an Annex with the schedule of payments made by IAL to farmer, which covers 60% of the contract's targeted value up (up to the month of August). Initially, the value of the contract is determined based on the targeted yield. In the meantime, an assessment of the fields is done by IAL every month after planting seeds, and the targeted harvest is subject to change according to the evaluation of the IAL's agronomist. Therefore, contract value and the funding plan can be changed, if needed, and any excess funding will be recovered from the farmer along with the interest charges. (This information has been removed as it falls within the exceptions to disclosure specified in para 17 (2.v) of ADB's Access to Information Policy 2018.) Final value of the contract is determined based on the actual delivery of cotton. The remaining final payment for the Product delivered will be paid by December 31. IAL confirmed that there are no pending payments to contract farmers to date, all the payments are made according to the respective agreements and IAL timely provides funding to contract farmers as per financing model and crop operation requirements

168. In the meantime, the contract specifies that the quality of the produced raw cotton should meet the requirements of UzR.ST-642.2013 standard. The quality of the grown raw cotton must meet the standards of UzR.ST-615.2008 - Cotton "Technical specifications." If the farmer does not fulfill its obligations per this requirement, the product delivered will not be accepted, and the work performed will not be compensated. The contract also specifies system of penalties to be imposed in case of non-delivered product in the amount, assortment and timeframe specifies in the contract.

169. Contract required the contract farmers (farm managers) to participate in training seminars on the Better Cotton Initiative (BCI) criteria and principles, held by consultants of the International Finance Corporation, and study the agro-technological processes for better cotton cultivation. IAL provides the training to contract farmers on all principles of BCI in 2020 and 2021 along with IFC Advisory Service. In 2022 BCI announced that they will work with large farms only, thus IAL decided to provide trainings on Decent Work (principle 6) and Management (principle 7) in 2022 season. IAL maintains the records of the trainings provided to contract farmers. Obligations of the farmer specified in the various clauses of contract among other also include the followings related to E&S: (i) to produce raw cotton under the global standards, mainly in accordance with the principles of plant protection, water stewardship, soil fertility, biodiversity, improving fiber quality, and the principles of decent work; (ii) to conduct high-quality land preparation for planting cotton seeds, plant seeds at the appropriate period, cultivate based on plant conditions, irrigate at reasonable rates and time, and timely apply mineral fertilizers on a set dose, and conduct timely defoliation; (iii) to provide appropriate protective equipment and clothing to ensure the safety of personnel involved in defoliation and application of chemical products, and to conduct field inspection after defoliation (to prohibit and control the entry of strangers and own employees into the field without protective equipment and before the expiration of the applied chemical products' impact period (before the expiration of the impact period indicated on the container / label); (iv) if the location of areas and fields allows, to carry out the above-mentioned preparation measures

using an aircraft in order to ensure their high quality; (v) to strictly follow the Republic of Uzbekistan legislation, international agreements, the Convention No.182 of 1999 "On the worst types of child labor," the Convention No.105 "On the Abolition of Forced Labor," the Convention No.138 "On the Minimum Age for Employment," and not limited to these documents, to the requirements of the International Labor Organization conventions and other applicable laws and regulations; (vi) to organize cotton harvesting activities without the use of any forced labor (this item includes a detailed description of the conditions to be fulfilled), (vii) to sign employment contracts with permanent workers, civil law contracts (templates provided by IAL) with seasonal workers and citizens hired for picking raw cotton, and to keep records of each employee's personal file, statements of receipt of monthly salary, timesheet, list of employees, collective agreement, information being acquainted with internal labor regulations, labor protection and safety rules; (viii) to ensure and permanently control that persons who have not voluntarily expressed their desire to pick raw cotton, minors (under 18 years of age) and non-contracted pickers are not involved in the harvesting activities of raw cotton; (ix) to comply with the requirement of Labor Code of the Republic of Uzbekistan (Articles 6 and 7) stating that the use of any form of forced labor and any form of discrimination against farm workers (permanent and seasonal) and pickers of raw cotton is prohibited; (x) to provide working conditions (training of staff) for permanent and seasonal employees of the Farm and pickers of raw cotton in the farm in accordance with the agreements and the norms and rules of labor protection and safety; (xi) to keep records of contracts concluded with cotton pickers and the funds paid to them, as well as to provide a copy of the documents to IAL's representative on the last working day of each month.

170. In addition, the farmer shall provide IAL with a copy of the lease agreement of the land allocated to him for record purposes and needs to inform IAL about any change in the allocation of land plot area/change in the crop planting area, and any other change/event, which may affect contract obligation within seven calendar days from the occurrence of such event/change.

171. The clause. 2.2 s) of the contract among farm obligations requires "to resolve issues that may arise during the performance of the contract in agreement with IAL (without quarrels and fights, without gathering of crowds and blackmail)". Section V referring to liability of parties and settlement of disputes includes a "The Party that tried to resolve the issues that might arise in the course of performance of the Contract by gathering crowds, quarreling, fighting and blackmailing, instead of resolving the issues in the manner prescribed by law, shall be liable in the manner prescribed by law." No reference is made in the contract regarding GRM established for IAL. In the meantime, IAL clarified that the contract farmers are aware of GRM and have previously used GRM channels to resolve their grievances.

172. The contract also mentions that the farmer's liability with its property for the delivery of crops and particularly states "In accordance with the Law of the Republic of Uzbekistan No. 662-II "On Farming", dated August 26th, 2004, the Farm is responsible with its property for the delivery of products in the amount (weight) specified in the Contract. In case of insufficiency of the Farm's own property, the head of the Farm assumes additional responsibility for the obligations specified in the Contract at the expense of his own property in the manner prescribed by law."

173. A few contracts concluded with the farmers in 2021 (for 2022 season) were reviewed. According to IAL, since the future contracts are signed before the season commence, the raw cotton prices in the contract are based on the previous year's minimum price for raw cotton, as well as the area expected to be used for cotton growing (both raw cotton and seeds), and amount of cotton expected to be produced (in tons). This contract is used during the season to pre-finance the activities of contract farmer. The contract in its Section IV includes a statement that "The final contract value will be approved taking into account the recalculation of the cost of raw cotton in

accordance with the government decision for 2022 and the agreement of Parties". According to IAL, the supplemental agreement is signed to provide necessary modifications to principal contract concluded at the beginning of the season and specify actual payment terms. IAL also mentioned, that the payment has been made in time to the contract farmers, including final settlement.

174. The expected minimum prices for raw cotton³² are established by the Ministry of Agriculture of RoU, the Ministry of Economic Development of RoU, the Council of Farmers, Dekhkan Farms and Homestead Owners plots of Uzbekistan and the Association "Uztekstilprom" based on the analysis of prices on the world market, in accordance with the Decree of the President of RoU No. PP-4633 dated March 6, 2020 "On measures for the widespread introduction of market principles in the field of cotton growing". For 2022 it was announced that the minimum cost of 1 ton of medium-staple cotton raw materials grown in RoU is 10,025,000 soums inclusive of VAT, the minimum price of 1 ton of fine-staple cotton raw materials is 15,120,000 soums inclusive of VAT. Based on this recommended minimum price, producers of raw cotton and entities acquiring it independently determine the cost of raw cotton based on a mutually beneficial agreement within the framework of contractual relations. IAL pays as per recommended minimum price (IAL confirmed absence of instances of paying below the minimum price) or higher (if market price is higher than the government set price).

175. During the audit the informal discussion were held with contract farmers and cotton pickers. The summary of discussion is presented in section 6.4 of this report.

Worker's grievance management (staff and non-employees).

176. The IAL has established the internal grievance redress mechanism (GRM) that includes the Grievance Redressal Policy (most recent version issued on 05.09.2022) and GRM Standard Operating Process. According to the Grievance Redressal Policy, IAL is committed to providing employees and stakeholders with an effective and responsive grievance and conflict resolution process. The policy aims to have a Grievance Redress Mechanism (GRM) that has an easily accessible, transparent, and consistent process for submitting and processing complaints, in a confidential manner. The policy is accessible and applicable for, direct and indirect employees, local workers (including seasonal workers), contract farmers, contractors, suppliers including communities and any related stakeholders who may be impacted because of the IAL operations both directly or indirectly. The following types of grievances are considered within the GRM:

- Complaints regarding the employment terms and conditions, including occupational health and safety issues.
- Discrimination and abuse based on sex, age, ethnicity, religion, disability, and or any other issues.
- Grievances pertaining to any adverse environmental & social impacts, on nearby communities' assets and resources.
- Conflict among workers or laborer's/contractual workers engaged in the project operations, and the local community.
- Grievances pertaining to any misbehavior, alcohol abuse, misconduct with any community member, especially women and the vulnerable population by employees/workers engaged in Company operations.
- Any other issues relevant to the project construction and operations.

177. The GRM officers designated at each region are responsible for implementation and functioning of Internal Redressal Mechanism. The designated Grievance Redressal Officers are

³² <https://www.agro.uz/ru/11-0322/>

responsible for Internal Redressal Mechanism (while designated Community Liaison Officers (CLO) in each region are responsible for the implementation and functioning of the External Redressal Mechanism). The GRM officers provide weekly reports to the ESG Team (Sr. ESG Manager and ESG Manager). The grievances are treated confidentially and can be received through a number of avenues (IAL specialists nominated in each region separately for internal and for external grievances), as well as through the hotline number (+998 99 010 3939) and dedicated email address (murojaat.ial@uz.indorama.com). GRM boxes are installed in IAL's premises for written and anonymous grievances.

178. Upon receipt the grievances are screened and assigned to one of three categories: (i) Level 1: Grievances that poses no risk to the company, and can be resolved at the level of the grievance redressal officer (resolution within 15 days); (ii) Level 2: Grievances that require investigation and may pose minor threat to IAL's reputation but still needs the attention of the Regional GRC (resolution within 30 days); and (iii) Level 3: Potentially high risk grievances that may jeopardize IAL's reputation and may pose conflicts with the communities (resolution within 30 days).

179. The responsible staff will contact the complainant after the grievance has been resolved. If the complainant accepts the proposed resolution, the agreed actions are implemented. Such resolutions are recorded in the Grievance Register with supporting documentation and evidence. Hence, the resolution of the grievance will be formally closed out. The flowchart demonstrating the process for internal grievance redress is presented in figure 6 below:

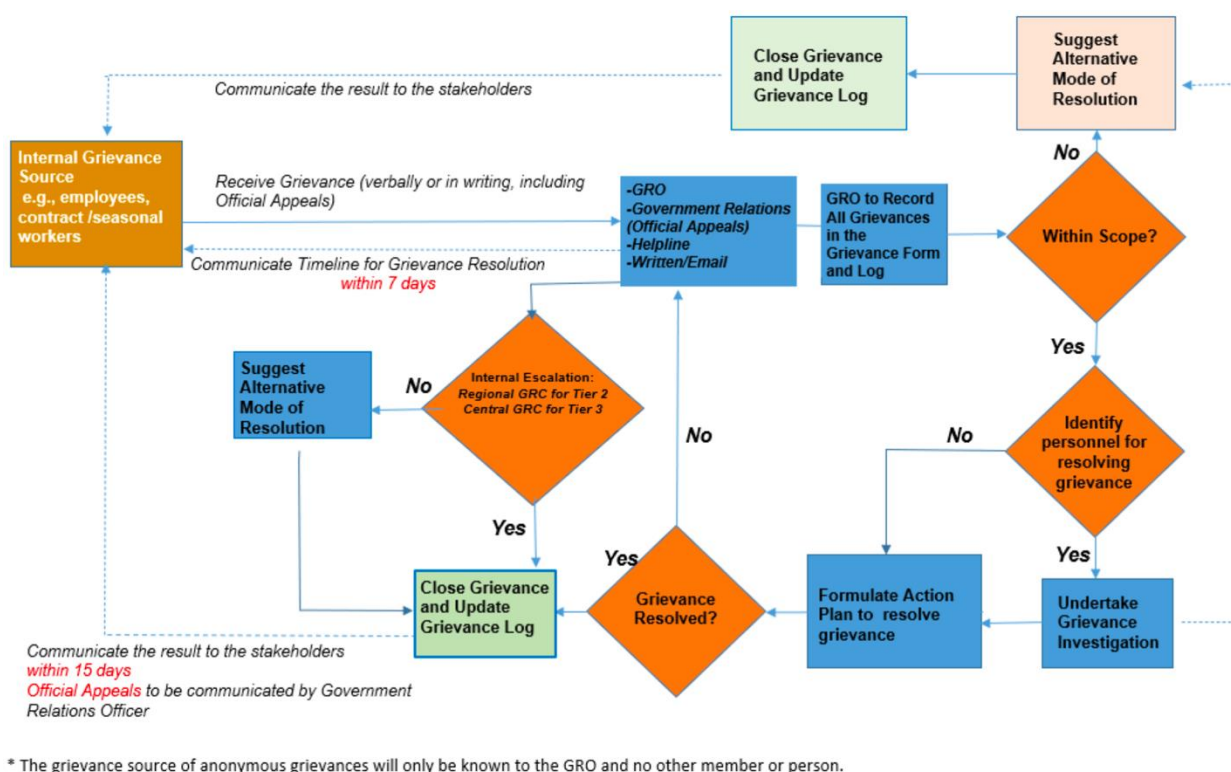


Figure 6. Process for internal grievance redress

180. During discussions with IAL employees (including employees in farm depots and gins, contract farmers, cotton pickers group leaders) it was confirmed that they are aware of GRM. Some employees noted about previous experience in using GRM to address their grievance. In the

meantime, it was noted, however, during informal discussions, that some IAL employees avoid lodging of grievances to not jeopardize their employment (these employees were not aware of any previous dismissal case related to the grievance lodging). In a few cases, the other similar boxes were located on sites and were mistaken for GRM boxes by employees (in one of the sites in Sirdarya, boxes with Safety Data Sheets were similar to GRM boxes, and one on the employees showed that box to consultants noting that it's a GRM box), in another case (in Kashkadarya) the GRM box are located away from common areas used by workers. GRM shall be improved to add feedbacking for anonymous grievances. Contract farmers noted their preference to voice their concerns and issues to agronomist or another relevant representative of IAL to minimize the resolution timeline, as the farming issues (e.g., issue with crops, delay of provision of water, etc.) are rather time-sensitive. A few of the contractors' employees (including cotton pickers) also mentioned their awareness of GRM; however, noted that they until now avoid GRM to not jeopardize their employment. Instead, they prefer to address the existing complaints to their supervisors (group leaders in the case of cotton pickers) hoping for a resolution (issues are related to wage calculation, incentives, as well as uncomfortable masks).

181. Sample logs for GRM shared by IAL were reviewed. The handwritten log is maintained at each site, and all the entries are periodically included in an excel file. Separate logs are maintained for hotline grievances and for letters. IAL shared detailed information on 4 cases, associated with the alleged presence of minors in the field and the verbal mistreatment of a female cotton picker. In the first case, the complaint was lodged via call and mentioned that the bus was late, and a female picker was verbally disrespected by the bus driver. The issue was investigated, and the bus company and bus driver were explained that such behavior and treatment of pickers is unacceptable, calling to order and respectable communication between the bus drivers and the pickers. No further complaints were lodged on this issue. In the second case, the complaint was lodged through the call, where the caller complained that picker payments are delayed, water is not provided to the pickers in sufficient quantity, and minors were observed in the field. The grievance unit visited the caller to investigate the circumstances of the grievance case, carried out discussions with the complainant and farmer, and reminded the farmer of the responsibilities to pay pickers on time and provide water as specified in the agreement (for the provision of raw cotton) signed between the contract farmer and IAL). The payment delays and issues with water provision were solved shortly after the call. With respect to the alleged presence of minors, IFC got involved in the grievance investigation and communicated with the complainant, picker leader, and manager, however, the alleged presence of the minors was not confirmed. No further complaints on the alleged presence of minors were received. In the third case, the grievance was received via call, and the complaint was lodged about female pickers being verbally disrespected by the farm manager. The grievance unit visited the site,

182. carried out discussions with involved parties, and requested the farm manager to treat pickers respectfully, in compliance with the requirements of the agreement (for the provision of raw cotton) signed between the contract farmer and IA. No further calls/complaints were made by the complainant. In the fourth case, the complaint was also lodged via call and referred to verbal disrespect of pickers by a farm worker and non-provision of meals to pickers. Following the grievance investigation and reminder of contractual provisions, the issue was resolved, and the farm worker was given a verbal warning. Through the mediation of the grievance unit, the farm worker made peace with the caller picker, and no other calls were made to the helpline on this complaint.

Labor Union

183. HR Policy states that IAL actively encourages:

- Participation in negotiations with duly appointed representative of Trade Union for the conclusion, amendment or addition of the Collective Agreement;
- To provide information necessary for negotiations and monitoring compliance aligned with the Collective Agreement;

- Adherence to specified terms of the Collective Agreement;
- To ensure the relevant commission activities within the terms specified by the Company and the Trade Union in the Collective Agreement;
- To take actions deemed necessary but not limited to, in case of violation and non-fulfilment of obligations under the Collective Agreement.

184. The Collective Bargaining Agreements with Labor Unions in both Kashkadarya and Sirdarya regions were signed by IAL. The Collective Bargaining Agreement for 2021-2023 was signed between the General Director of IAL and the head of the Labor Union of Kashkadarya region and was acknowledged by three representatives from each party. The Labor Union was registered with the Republican council of the trade unions of entrepreneurs and business service employers of Uzbekistan on 24 November 2020. Similarly, the Collective Bargaining Agreement for 2021-2023 was signed between the General Director of IAL and the head of the Labor Union of Sirdarya region in 2021 (no signing date was mentioned on the scanned version of the agreement) and was acknowledged by five representatives from each party.

185. The Collective Bargaining Agreements signed in both regions are quite similar and include a detailed discussion of a variety of topics related to the relationship between employee and employer and Labor Union participation to facilitate that relationship. Labor agreements refer to all employees of IAL, including those hired after the signing of these agreements. Agreements also confirm that labor relations between Employer and Employee are regulated by the written labor contract prepared in accordance with local laws and regulations.

186. The Collective Bargaining Agreement specifies the details about working and rest hours, employment contract termination, employee transfer to another job or dismissal, annual vacation, and time off in exceptional cases (wedding, death of a close relative, natural disasters, relocation to new dwelling), additional days off, terms of wage payment, work time and wage calculation, allowances, wage transfer timeline, incentives. The agreement also includes a section on labor protection (providing details on budget PPE cost, milk and other food items, water, hygiene supplies, etc., as well as measures to ensure labor safety, knowledge testing, measures to be applied in case of damages and injuries), as well as section of social security, social benefits and guarantees. Provisions for women employees and youth, and settlement of labor disputes are also integrated into the Agreement.

187. In the meantime, the Collective Bargaining Agreement includes a clause that is recommended to be revised or removed. In particular, a number of IAL documents state that no minors (under 18 years old) shall be engaged in any of IAL operations. Collective Bargaining Agreement in its Section IV. Work and Rest Time, item 4.1 specifies that “the company accepts the following week durations: ...b) for employees aged 16-18 years old – 36 hours”. A few references to young employees are made in section 12. While such statements are in line with local legislation, the IAL confirmed its approach of not engaging minors (just by envisaging the provisions for young employees aged 16-18 years old).

188. It would be very useful if the Collective Bargaining Agreement can be revised to refer to the HR policy and new labour code or other relevant policies and SOPs, particularly to the details related to wage tariffs, wage and time calculation, and CBA can be revised to take that into account since conditions of employment and level of available information shall be the same for employees irrespective of their participation in Employees Trade Union.

189. Membership in Employees Trade Union is only applicable to IAL employees. Except for Head pickers which are hired by IAL both for its corporate farm and contract farming operations,

contract farmers and contract farm workers are not part of the Trade Union.

Corrective actions:

- ➔ If possible, consider sharing information on wage calculation, and allowances included to employees, as well as deductions from the wage, if any. For example, this can be done on monthly basis through sms or Telegram messages.
- ➔ Consider developing a set of clauses including key environmental and social, health and safety requirements to be added to all future contracts with employees and contractors. Ensure the newly adopted Labor Code of 2022 (entering into force in April 2023) is considered while developing a set of clauses and updating/concluding contracts.
- ➔ Formally cascade policies to contractors and sub-contractors. In addition to a set of clauses, include reference to respective IAL policies in future contracts and require contractors and sub-contractors adherence to their requirements.
- ➔ Review Collective Bargaining Agreements for Kashkadarya and Sirdarya regions, to remove any clauses referring to the engagement of employees under 18 years old. The Collective Bargaining Agreements shall explicitly prohibit the involvement of minors and forced labor. Ensure that Collective Bargaining Agreements include references to relevant IAL Policies that commit to no child and forced labor during IAL operations. Publish Collective Bargaining Agreements on the IAL's website.
- ➔ If in future a labor restructuring (mass layoffs of permanent employees) becomes necessary, prepare a plan for a gradual approach in consultations with staff/ trade unions, and develop a Retrenchment Plan.
- ➔ Enhance GRM including a clear statement on the prohibition of retaliation against those who will raise or lodge any grievance, option for anonymous and confidential grievance channel with feedbacking, and improved grievance monitoring and reporting. Post the responses to the anonymous grievances on the information board of the relevant site and possibly on the IAL website.
- ➔ Reconsider locations of grievance boxes and relocate boxes or install additional boxes as needed (if necessary, separate GRM boxes can be placed in the administrative area and in the area of production facilities where most workers are). Ensure that all grievance boxes are located in common, unmonitored, and unsupervised areas. Clearly mark grievance boxes and other similar boxes to avoid possible confusion. For cotton pickers, additional temporary mobile grievance boxes can be installed in cotton collection fields (in the dining areas or nearby sanitary facilities) or in the buses transporting pickers. Considering that the cotton pickers are addressing their issues to group leaders, arrange weekly meetings of group leaders with Grievance Redress Officers of their respective regions, to discuss the concerns and questions raised by the cotton pickers and provide resolution;
- ➔ Develop separate Contract Farming Procedure or SOP to include: (i) applicable labor management policies; (ii) government standards in terms of cotton quality; (iii) role and responsibilities of IAL to contract farmers; (iv) roles and responsibilities of the contract farmers in terms of production and supply of raw cotton in accordance with govt standards; (v) cost of cotton per kg as dictated by government rate; (vi) targeted yield as dictated by government, etc.

5.7 TRAINING

190. Training and Mentoring Policy is developed by IAL to ensure that all staff has access to development and training opportunities that will enable them to be suitably knowledgeable and skilled to carry out their roles and responsibilities within the company and to develop their talents in ways that are aligned with the IAL's policies and objectives. This policy is complemented by the Learning and Development Policy, which includes staff training procedure aimed at personnel training and development, improving the company's performance and employee skills and

competencies, maintaining a high level of corporate structure, developing a conducive environment necessary for successful careers for employees, improving planning and management skills to successfully achieve personal and professional goals. Learning and Development Policy classifies the training as follows: (i) primary – training of personnel entering the work, training in their specialty; (ii) periodic – training during the whole time of work; (iii) emergency – training in case of the introduction of a process of quality control or documented changes, as well as identification of errors or deviations in the work; (iv) individual – personnel working in conditions that are especially hazardous to health and highly active, toxic, sensitizing, volatile and other substances undergo additional training under a special program. Training forms accepted at IAL include internal lecture classes, practical exercises, internal workshops, workshops conducted by third parties, information events (exhibitions, conferences, etc.), theoretical and practical training in enterprises involved in training. Each training course ends with the certification of employees (oral exams, panel interviews, written tests, practical projects).

191. ESMS drafted for IAL also includes a section on training and capacity building and mentions that HSE Head and Senior Manager ESG bear the key responsibility for identifying the job-specific training and ESMS induction training needs. ESMS envisaged that the annual training calendar is approved by the ESG Committee. ESMS also includes a table on training requirements pertaining to IAL operations and specifies which type of training (ESMS, OSH, people management, environment) is to be provided to various groups (ESG and EHS team, key employees of IAL head office, IAL employees, contractor EHS). The abovementioned trainings are planned to be undertaken once the employee/worker joins IAL Head Office and/or at the Units and the existing key personnel engaged in ESMS implementation will also be considered for these trainings. Additionally, annual refresher trainings will be undertaken for all the key staff and may include regular contractors engaged by IAL. Any other applicable training will be identified and implemented during the project lifecycle as per the need assessment, as part of mitigation measures and for capacity building of the staff. ESMS also states, that in the case of contractors and subcontractors, the training and capacity building will be done by the Unit level EHS representatives to ensure such trainings of the contracted staff, either directly or through external trainers. Subsequently, the responsibility can be passed on to the sub-contractors.

192. Special training rooms with posters on HSE were observed during site visits to IAL facilities. The logs and summary report for technical, fire safety, environmental, and medical trainings were reviewed for January – May 2022. The summary log included the information on the department where training was provided, date of training, topic, provider, total number of participating employees and training duration. During that period, a total of 2974 employees were trained, and in total 161 trainings were delivered in both regions (including 1705 employees were trained, and in total 74 trainings in Kashkadarya region). The average duration of each training session is 35-40 min, and the following topics are covered: technical safety, labor protection, provision of first aid in case of injury, fire safety rules, explanatory work on the rules of environmental protection, procedure of waste disposal, adherence to the technical safety rules when distributing seeds, the rules for working with chemical fertilizers in field conditions, observance of fire safety rules with drivers, observance of the fire safety rules by employees during work. Other reviewed training logs, and participation sheets were for HR induction training on prevention of sexual harassment, anti-corruption and bribery training, explanations of bonus schemes (Variable Incentives Plan) for the nano unit workers, Participation sheet is completed for each training, providing information on training, and names, positions, dates, and signatures of participants. During informal discussions, the employees remembered the provision of trainings, both after recruitment and during the employment. Some of the employees also noted first aid training. The training modules and logs regarding the provision of first-aid, prevention of occupational diseases (mostly for workers dealing with chemicals), and healthy lifestyle (recently

added training module targeted at middle-aged female employees) were also observed at the medical stations during the visits.

193. During the discussion, the representative of the HSE department also added since IAL is in process of obtaining BCI and ISO certifications, the ISO coordinators (one in each region) were added to their department staff, and the ISO coordinators are also responsible for the provision of training on IMS, and as a part of that process also consult the employees and gather their feedback. In addition, during the discussion, it was confirmed that IAL also engage external parties for the provision of specialized training (e.g., for welders, etc.).

194. Moreover, IAL also developed a Contractor Training Policy to make the workplace accessible and provided to all employees and contractor workers. In this regard, all contractors are required to be provided with appropriate training before starting an activity at the company site. This will enable them to be aware of the safe workplace, labor, and environmental protection requirements in accordance with company policies and government regulations. The policy notes the provision of training to the contractors' workforce prior to operating at company sites, refresher training, and additional training in case of new hazards identified at the workplace (due to new substances, processes, equipment, and machines). The policy also mentions the importance of monitoring and evaluating training effectiveness to ensure adequate knowledge retention.

195. In addition, the IFC provides advisory service and capacity building to IAL, including contract farmers. Advisory support and capacity building cover establishing and implementing contract farming systems in Kashkadarya region, community engagement programs, implementing the Better Cotton Standard System (BCI) and on becoming compliant with BCI requirements, entering into Responsible Sourcing System, engaging with global brands to set up their supply chain in Uzbekistan, developing and implementing Water Stewardship Program, carrying out water balance study and in policy intervention to align water availability with IAL's farming practices, establishing cotton and other rotation crops' breeding and their commercial seed production systems, implementing IFC's Environmental and Social Action Plan. During the discussions the farmers mentioned the training modules on crop growing, pest control (delivered by an international expert) and on prohibition of involvement of forced labor and minors.

5.8 PROCUREMENT / CONTRACTOR MANAGEMENT

196. Environmental and Climate Change Policy among IAL's commitments mentions the following that demonstrate IAL's commitment to perform business in line with sustainability goals: "adoption of appropriate environmental requirements in our procurement processes and proactively engaging with stakeholders to ensure alignment with IAL's values, ambitions, goals, commitments and performance of environment and climate change".

197. Procurement Policy (September 2022) states that the IAL shall comply with all applicable laws and regulations, and appropriate E&S practices, governing local and global businesses. The Procurement Policy applies to all contracts for goods and services that are processes at all sites of the Company. Among other requirements, the Procurement Policy confirms the IAL's commitment to working with suppliers demonstrating best practices in environmental management (including pollution reduction, energy and resource efficiency, waste reduction, and recycling) and human resource management (such as equal opportunity, non-discrimination, health, and safety); giving preference to goods and services certified to internationally recognized standards of environmentally and/or socially sustainable management; ensuring all complaints / grievances resulting from procurement process are managed in an effective and transparent

manner consistent with the IAL's Grievance Redressal Policies / Procedures; promoting the sustainable use of resources and application of good labor standards, and working conditions; incorporating the environmental and social considerations, compliance to sustainability, labor standards, and working conditions in the procurement planning, specifications, and scope of work. The Policy also stated the evaluation of bids and offers will consider the environmental, social & sustainability standards, as well as the implementation of periodic reviews and reports on the environmental and social sustainability performance of the major suppliers of goods and services. In line with most policies, the Procurement Policy can also be reviewed every 2 years.

198. In addition to Procurement Policy, the IAL also developed the Supplier Code of Conduct (dated 05.09.2022). According to this document, the IAL wants to actively engage with stakeholders to continuously improve its economic, environmental, and social performance. IAL recognized that their service and goods providers and contractors play an important role in IAL efforts towards sustainability, and thus the purpose of the Supplier Code of Conduct is to define the basic sustainability requirements placed on IAL suppliers. Supplier Code of Conduct is based on the principles of the United Nations Global Compact and includes 4 sections: business principles (including legal compliance, anti-corruption, and anti-bribery), human rights, labor standards (including freedom of association, forced labor, wages and working hours, child labor and young workers, non-discrimination) and environmental health and safety (including environment, health and safety, prevention of alcohol and drug use at work).

199. While the Procurement Policy, Supplier Code of Conduct and Contractor Training Policy state IAL's commitment to operating in compliance with applicable laws and regulations and appropriate E&S practices, it was noted, that IAL is working to cascade these policies to its contractors / subcontractors (such as construction contractors, repair contractors, contractors for electrical works, contractors for pump overhaul, contractor for laying a gravel, water pipeline installation, chipping, contract farming). A few agreements with contractors (including nano units, chipping, and sample agreement with contract farmers) were reviewed. The contract required the contractor to work in compliance with the laws, rules, regimes, and regulations of the Republic of Uzbekistan on labor safety and technical safety. For some of the contractors (chipping, nano unit, etc.), the duration of contract is not specified, and the contract is considered valid until the parties fulfill their contractual obligations. IALs shall include references on its policies and procedures in the contracts. In the meantime, the contracts include the statement that the workers shall be at least 18 years old, and also emphasize that the contractor bears overall responsibility for its workers and in case of disagreement those shall be settled without IAL's involvement. The contract includes statements on adherence to appropriate safety rules and regulations, and on the discouragement of activities related to discrimination, interference restriction or coercion with respect to any employee or matter of operation. No other environmental and social provisions are included in the contracts. In addition, no monitoring requirements to ensure compliance of contractors / subcontractors to E&S requirements are explicitly covered in the contracts. A brief section summarizing all the relevant E&S provisions based on the ESMS and ESMPs and applicable IAL documents can be prepared and included in bidding documents, and contracts to provide clarity on IAL E&S requirements. IAL is currently working with the HR, financial and accounts teams to improve the contract details.

Corrective actions:

- ➔ Enhance Procurement Policy to include: (i) contractor/subcontractor and supplier tendering and selection procedure (e.g., checking contractor's E&S and labor policies, management system, performance and liability record, availability of dedicated E&S staff, incorporating E&S considerations into the selection metric etc.); (ii) Standard E&S requirements in tendering

documentation and contracts, including requirements for establishing E&S management aligned with the project's E&S requirements.

5.9 ENVIRONMENTAL AND SOCIAL PERFORMANCE: KEY ISSUES

A. Environmental Assessment

200. The Environmental and Social Impact Assessment (ESIA) package for Cotton Farming Project (considered for funding by IFC and EBRD) was prepared by Mott MacDonalds in December 2020. The ESIA was undertaken in line with the environmental and social policies and performance requirements and standards of IFC and EBRD and was aimed at identifying the likely impacts of the Cotton Farming Project on the environment and people and proposing mitigation to prevent or minimize adverse impacts and identify potential opportunities. The ESIA package is disclosed at IAL web-site³³ and includes the ESIA with appendices and Non-Technical Summary, Environmental and Social Action Plan (ESAP), ESMP, Water Study, Summary Consultation Report, as well as Stakeholder Engagement Plan and Livelihood Restoration Plan. The Cotton Farming Project was categorized A for environmental (based on the IFC and EBRD requirements), considering the construction of two gin (2 of 3 currently operating gins are built by IAL and one is taken over from old facility) and other facilities ensuring IAL operations.

201. Facility level. For each facility, with respect to environmental protection, the activities included the preparation of the Environmental Impact Statement (ZVOS) for each site (prepared by external specialized consultants), as well as obtaining the Conclusions from SCEE for all the facilities. For part of the facilities (category II and III), in addition to above-mentioned documents, the Statement on Environmental Consequences was obtained from SCEE prior to commencement of operation, along with the documents on Maximum Allowable Waste (PDV) and Maximum Allowable Emissions (PDO).

202. It was noted that according to national legislation (Resolution of the Cabinet of Ministers № 541 "On further improvement of Mechanism of the Environmental Impact Assessment dated 3007.0904.20202022, last amendment № 774 09/22/230/0277 dated 2730.1204.20212022), depending on their function, the IAL facilities correspond to Category II "medium risk of impact" (state environmental expertise is conducted by head office of SCEE within 15 days, all EIA materials and public consultations are required); Category III "low risk of impact" (state environmental expertise is conducted by regional branches of SCEE within 10 days, all EIA materials are required); and Category IV – "local impact" (state environmental expertise is conducted by regional branches of SCEE within 5 days, based on the Questionnaire on Environmental Impact Assessment). Based on the existing ADB Environmental Safeguards Policy (2009) and considering that the project operations cycle cover cotton/cereal growing and production (up to the ginning), this project falls under ADB's project Category B, as the proposed project's potential adverse environmental impacts are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for category A projects. The ADB loan proceeds will not be used for construction on any additional infrastructure or renovation of existing facilities and will not lead to any additional environmental impacts other than those currently occurring during IAL operations.

203. While based on the availability of the SCEE Conclusions it can be concluded that EISs developed for the separate facilities of IAL were prepared in compliance with the requirements of

³³ <https://www.indorama-agro.com/esg-disclosure.php>

national legislation for Category II, III, and IV projects, and the project level ESIA prepared for the Cotton Farming Project is fully compliant with ADB SPS. In the meantime, it was noted that the ESIA does not refer to ADB policies or specifically provisions of ADB SR1, however address similar provision of IFC and EBRD environmental and social policies. While EIS include very limited mitigation measures, the ESIA addresses mitigation measures in details. Moreover, ESMP includes details on further actions to be undertaken by IAL. ESIA package was disclosed, including the results of public consultations participated by project stakeholders carried out by IAL and MM during the ESIA preparation.

204. The summary of the environmental impact related documents developed for facilities in Kashkadarya and Syrdarya regions is presented in table 13 below. The table includes the documents available for each facility. In addition to Environmental Expertise Conclusions to EIS, Statements on Environmental Consequences, the table also presents the documents on Maximum Allowable Waste (PDV), Maximum Allowable Emissions (PDO). In the meantime, it was noted that no Environmental Impact Statements were provided for review, however based on the Environmental Expertise Conclusions issued to those EIS, the judgement was made on their availability and acceptability for SCEE.

Table 13. Summary of environmental impact assessment documents for IAL facilities.

No	Location	EIS	Environmental Expertise Conclusion	Statement on Environmental Consequences	Maximum Allowable Waste (PDV)	Maximum Allowable Emissions (PDO)
Kashkadarya region						
1	Fazli	<i>Not provided for review</i>	Store fertilizer (III category); #01/26-27-1098/bl, issued on 15.08.2022	Cotton gin plant (II category); #04-01/10-68-892 issued on 04.06.2021	<i>Not provided / Not required since ZEP is available</i>	<i>Not provided / Not required since ZEP is available</i>
2	Mughlon	<i>Not provided for review (IAL clarification: ZVOS, ZEP will not be issued to the old enterprise).</i>	Seed treatment Plant nearby Mughlon Gin Plant (III category); # 01/08-27-119/bl, issued on 31.01.2022 Laboratory nearby Mughlon Gin Plant (III category); # 01/26-27-1017/bl, issued on 15.08.2022	Wheat storage nearby Mughlon Gin Plan (III category); #01/26-27-183/eob, issued on 15.02.2022 Laboratory (III category); #01/26-27-1070/eob, issued on 05.09.2022	Kasbi Cotton Gin (II category); #01/08-27-533 issued on 07.07.2021	Gin Plant (II category); #01/08-27-887/ENL(пдо), issued on 09.11.2020
2	Denov	<i>Not required (PDV, PDO are available)</i>	<i>Not required (PDV, PDO are available)</i>	<i>Not provided PDV PDO are available</i>	Fertilizer storage (III category); #01/08-27-978/ml, issued on 10.08.2021	Fertilizer storage (III category); #01/08-27-977/ml, issued on 10.08.2021
3	Tinchlik	<i>Not provided for review (IAL clarification: not operational)</i>	Sewing company (IV category); #01/08-27-1196/bl, issued on 04.10.2021	<i>Not required</i>	<i>Not required</i>	<i>Not required</i>

No	Location	EIS	Environmental Expertise Conclusion	Statement on Environmental Consequences	Maximum Allowable Waste (PDV)	Maximum Allowable Emissions (PDO)
4	Nishon	<i>Not required (PDV, PDO are available)</i>	Cotton Collection Point (III category); #01/08-27-979/bl, issued on 10.08.2021 Manufacturing and storage, Kaptarlik mahalla (III category); #01/08-27-868/bl, issued on 15.07.2021	Guliston Cotton Collection Point, Balxiyak MFY (III category); #01/08-27-1153/eob, issued on 24.09.2021	Target district Cotton ginning plant 2 types PDV summary number 01/26-27-1082/ summary date 09.09.2022.)	Gin Plant (II category); #01/08-27-1482/l, issued on 14.12.2021
5	Karshi	<i>Not required (PDV, PDO are available)</i>	<i>Not required (PDV, PDO are available)</i>	<i>Not required</i>	#01/08-27-921/мл 29.07.2021 Hotel and offices IV category	Hotel and offices (IV category); #01/08-27-922/bl, issued on 29.07.2021
Syrdarya region						
6	Toirov, Oqoltin	<i>Not provided for review</i>	Logistic center and storage (III category); #10/498, issued on 14.12.2020 Gas station (III category); #10/501, issued on 07.09.2021	#10/347 23.06.2021 Logistic center and storage III category	<i>Not required at the time of the audit</i>	<i>Not required at the time of the audit</i>
7	Istiqlol	<i>Not provided for review</i>	Shop for repair of agricultural machinery and metal processing (III category); #10/382, issued on 13.07.2021	02.08.2021 Shop for repair of agricultural machinery and metal processing. (Istiqlol) III category	<i>Not required at the time of the audit</i>	<i>Not required at the time of the audit</i>
8	Sardoba	<i>Not provided</i>	Gas Station (Sharaf Rashidov) Nearby to IAL logistic center (III category); #10/502, issued on 07.09.2021 BioLab (III category); #10/198, issued on 08.04.2022 Shop, storage and logistic center, Birluk, Sardoba district (III category); #10/497, issued on 14.12.2020 Cotton Gin (II category);	BioLab (III category); #10/357, issued on 26.07.2022 Shop, storage and logistic center, Birluk, Sardoba region (III category); #10/346, issued on 23.06.2021 Gin (II category); #04-01/10-08-1475, issued on 30.08.2021	<i>Not required at the time of the audit</i>	<i>Not required at the time of the audit</i>

No	Location	EIS	Environmental Expertise Conclusion	Statement on Environmental Consequences	Maximum Allowable Waste (PDV)	Maximum Allowable Emissions (PDO)
			#04-01/10-08-1171, issued on 14.07.2021			
9	Guliston, apartment	<i>Not provided for review</i>	Guliston Apartments (III category); #10/732, issued on 24.12.2021 Recreation area in Buston mahalla (IV Category); #10/344, issued on 18.06.2021	Residential complex (III category); #18/413, issued on 08.08.2022	<i>Not required at the time of the audit</i>	<i>Not required at the time of the audit</i>

205. It was noted for some of the documents only the first pages were provided to E&S Consultant team during the review and not the complete documents. For part of facilities the documents were not provided for review (missing documents are mentioned in the table above). For a few cases the conclusions issued by SCEE were available, however the initial ZVOS documents were not provided for review. In addition, no documents were available for a well being drilled in Istiqlol (Syrdarya region) at the time of the site visit (according to IAL, application number 67061637 is submitted for obtaining a conclusion from the hydrological organization).

Corrective actions:

- ➔ Ensure that all documents are duly received and available. Arrange all the documents (including their electronic / scanned copies) into a repository to easily track the availability and status and follow up with obtaining of required documents.
- ➔ Ensure that IAL is fully compliant with applicable government regulatory requirements, laws, and regulations.

B. Agreements with Government (Water Supply) and Third-Party Contractor (Waste Management)

206. Following the environmental assessment and obtaining the Environmental Expertise Conclusions to EISs, Statements on Environmental Consequences, the documents on PDV and PDO, IAL based on the requirements of abovementioned documents follows up with signing all the necessary agreements for water supply and waste (including wastewater, scrap metal, used plastic, medical waste) disposal (see table 14).

207. It was noted for some of the documents only the first pages were provided during the review and not the complete documents (this was mostly due to the large number of documents to be scanned and shared in the limited time provided for audit). For some of the facilities the agreements were expired at the time of the audit review, while for a part of the facilities the agreements were not provided for review (expired and missing documents are specified in the table below). The updated version of this table should be included in the SAESMR.

Table 14. List of permits and agreement applicable to construction stage, and their status

No	Location	Water supply contract	Waste management contract
Kashkadarya region			

No	Location	Water supply contract	Waste management contract
1	Fazli	No: IS-001, signed on 05.01.2022 With: "Ibosan Water MCHJ" (private company) Expiry date: 31.12.2022	Agreement on removal of solid and liquid wastes No: 04, signed on 08.01.2021 with state agency "Toza Hudud". Expiry date: 31.01.2021 <i>Agreement expired at the time of audit. IAL mentioned that current agreement is signed with a private contractor, however the copy was not provided for review.</i>
2	Mughlon	Agreement on drinking water supply No: IS-001, signed on 05.01.2022 With: "Ibosan Water MCHJ" (private company) Expiry date: 31.12.2022	Agreement on removal of fertilizer containers No: 1/ISF signed on 08.01.2022 with Rivojlanish Kelagak (private company) Expiry date: not mentioned in the agreement
3	Denov	Agreement on drinking water supply No: IS-001, signed on 05.01.2022 With: "Ibosan Water MCHJ" (private company) Expiry date: 31.12.2022	<i>Not provided</i>
4	Tinchlik	<i>Not provided (IAL clarification: not operational)</i>	<i>Not provided Not operational</i>
5	Nishon	Agreement on drinking water supply No: IS-001, signed on 05.01.2022 With: "Ibosan Water MCHJ" (private company) Expiry date: 31.12.2022	<i>Not provided</i>
6	Karshi	Agreement on drinking water supply to offices and hotel No: IS-001, signed on 05.01.2022 signed on 04.01.2021 With: "Ibosan Water MCHJ" (private company) Expiry date: 31.12.2022	Agreement on wastewater removal for offices and hotel No: 001123 signed on 04.01.2021 with Kashkadaryo Suv Taminoti (water supply and wastewater company) Expiry date: 04.01.2025 Agreement for removal of used plastic No: 1 signed on 31.01.2022 with EcoServis Universal Plast Invest Company (private company) Expiry date: 31.12.2022 Agreement on Medical waste disposal No: 12 signed on 10.02.2022 with "Mirshod Raxmatillo service" (private company) Expiry date: 31.12.2022 Agreement on collection of scrap (ferrous) metal No: 3705/67 signed on 24.01.2022 with "Uzmet combine LLC" (state company) Expiry date: 31.12.2022
Sirdarya region			
7	Toirov, Oqoltin	Agreement on drinking water supply No: 113 signed on 20.05.2022 with Sirdaryo Suv Taminoti (water supply and wastewater company) Expiry date: 20.05.2027 <i>This agreement include water supply for several facilities of IAL</i>	Agreement on removal of waste #02/1-0 signed on 05.01.2022 with state agency "Toza Hudud". Expiry date: not mentioned in the agreement

No	Location	Water supply contract	Waste management contract
8	Istiqolol	Agreement on drinking water supply No: 113 signed on 20.05.2022 with Sirdaryo Suv Taminoti (water supply and wastewater company) Expiry date: 20.05.2027 <i>This agreement include water supply for several facilities of IAL</i>	
9	Sardoba	Agreement on drinking water supply No: 113 signed on 20.05.2022 with Sirdaryo Suv Taminoti (water supply and wastewater company) for Sharaf Rashidov Expiry date: 20.05.2027 <i>This agreement include water supply for several facilities of IAL</i> Agreement on drinking water supply No: 55 signed on 20.05.2022 with Sirdaryo Suv Taminoti (water supply and wastewater company) for Pahtaobod community Expiry date: 20.05.2027	Agreement on removal of fertilizer containers No: 1/ISF signed on 08.01.2022 With Rivojlanish Kelagak (private company) for Sharaf Rashidov Expiry date: not mentioned in the agreement Agreement on removal of 5 types of used packaging and tires No: 59/ISF signed on 08.04.2021 with Rivojlanish Kelagak (private company) Expiry date: 31.12.2021 <i>Agreement expired at the time of audit.</i> Agreement on waste removal No: #47 signed on 26.01.21 with state agency "Toza Hudud". Expiry date: 26.12.2021 <i>Agreement expired at the time of audit.</i> Agreement on waste and wastewater removal No: 01/1-C signed on 31.01.22 with state agency "Toza Hudud". Expiry date: 31.12.2022
10	Gulistan	Agreement on drinking water supply No: 57 signed on 03.01.2022 with Sirdaryo Suv Taminoti (water supply and wastewater company) Expiry date: 31.12.2022	Agreement on waste and wastewater removal No: 01/1-0-Γ signed on 31.01.22 with state agency "Toza Hudud". Expiry date: 31.12.2022 Agreement on disposal waste of IV and V category (decommissioned parts) No: 98 signed on 17.05.22 with Eco Recycling LLC (private company) Expiry date: 31.12.2022

Corrective actions:

- ➔ Ensure that all relevant agreements and contracts (water supply and wastewater removal; waste collection and disposal, hazardous waste collection and disposal, bio-medical waste collection and disposal) are obtained and/or renewed and the requirements are duly followed.

C. Environmental Performance

208. It was noted that IAL facilities are already built, and the impacts are associated with IAL operations. The facilities are located away from urbanized environment, in areas not prone to natural hazards and away from natural areas and cultural heritage objects. The fields were used for cotton growing for many years before IAL started operation in 2019. Details on various topics of environmental performance are summarized below.

Air pollution

209. The ESIA, EIAs and draft ESMS identify the primary emissions associated with the IAL operations as those associated with emissions of combustion by-products from farming

equipment and diesel pumps (including carbon dioxide (CO₂), sulfur dioxide (SO₂), nitrogen oxide (NO_x)), and particulate matter (resulting from the operation of mechanized equipment or from combustion by-products). The field roads are earth-based, thus limited dust is temporarily generated during the movement of heavy agricultural equipment. Greenhouse gas emissions are expected to mostly result from the operation of mechanized equipment, crop production, animal manure, possible overuse of nitrogen-based fertilizers, land-use conversion or from the disposal or destruction of crop residues or processing. The ESIA also notes that the application of fertilizers and pesticides will be a potential source of hazardous aerosols during crop care several times per season.

210. The impact of exhaust gas emissions from cars, diesel vehicles, and mobile diesel water pumps is limited to areas in proximity to fields and connection roads during fieldwork and crop watering. Impacts from gins and other manufacturing equipment are temporary, as they operate only for 3-4 months per year. Gins are equipped with a filter system that allows the removal of cotton dust and trapping and trapping of a maximum of emissions. Application of fertilizers and pesticides/herbicides in the fields used for direct farming is carried out by tractors and sprinkler systems, using vertical sprayers that dispense the solution down to the plants and soil surface, so aerosol settles on vegetative parts of plants or soil surface. With respect to the land leveling, the representative of IAL dealing with land leveling, mentioned that the generation of dust also depends on the strength and direction of the wind on that specific day, and if the wind is blowing towards community they try to move and work in another area to minimize the disturbance for community residents. For contract farming, no land levelling activities are being implemented yet.

211. All the vehicles and machinery used on the site are owned by IAL, and IAL carries out their regular maintenance and repairs. At the time of the site visit, the vehicles, equipment, garage and repair areas looked well-maintained, no black smoke or unnecessary idling equipment was observed. The internal roads within facilities are mostly paved or covered by gravel to reduce the generation of dust. In some areas covered by the gravel during the visit, the concrete pavement will be installed in the future. The cotton and hay bales are covered with polyethylene covers to minimize dust generation, and wheat collection and most of the cotton collection undertaken by IAL is mechanized. The contract farmers use their own equipment for cotton production. In the meantime, for only a very few farmers the application of fertilizers and pesticides/herbicides is mechanized.

212. Environmental Monitoring Plan (drafted as a part of the ESMPs package) includes the requirement to monitor fugitive emissions and ambient air quality (near farm depots and gins, point source emissions, and farms).

Corrective actions:

- ➔ Finalize and implement Environmental Monitoring Plan for both direct farming and contract farming activities. Ensure the other ESMPs including monitoring measures are aligned with Environmental Monitoring Plan. Include periodic reporting requirements in the Environmental Monitoring Plan, to provide the results of monitoring activities, analysis of monitoring outcomes, and further actions, if needed.
- ➔ Ensure that the finalized “Traffic Management Plan” is in place during planting and harvest season of 2023.

Water supply and wastewater management

213. Water supply. Most of the facilities is not connected to centralized water and wastewater (wastewater connection is available in Gulistan and Karshi). Water consumption in the facilities is limited to drinking, sanitary purposes, cleaning, and dilution of concentrated chemicals. The water

tanker trucks are delivering the water to IAL facilities to fill/refill the large water tanks installed in the sites – water from these tanks is used for sanitation and hygiene only (not for drinking). Bottled drinking water is delivered to IAL sites. All drinking water in Kasbi and Nishon districts is supplied by "Ibosan Water LLC", except for Karshi city, Kasbi Beruniy PQQM, Fazli and Nuriston MTP, Gulistan FD in Nishan districts (according to IAL, the contract number 000015, dated January 26, 2021 – contract was not provided to E&S Consultant for review). Nishon contract number 000014 dated 01/05/2022 Qarshi city No: 001123 dated 01/04/2021 (these contracts were not provided to E&S Consultant for review). According to IAL, drinking water is supplied to all regions of Syrdarya region by "OCEAN BATTLERS" LLC, and a 5-year contract was signed with Syrdarya Water wastewater supply for Guliston city apartment, A.Toirov logistics center, and Sh.Rashidov logistics centers. The table 13 above provides details on the contracts provided to and reviewed by E&S Consultant.

214. With respect to the cotton and wheat growing in the fields, it was noted that Amu Darya and Sir Darya rivers are the main water source for irrigation of the fields. The irrigation system includes the main water draw-off facilities, main, distribution and watering canals, watering machinery and equipment, and lock-weir and drainage networks. According to IAL, the rates of fertilizers and pesticides application in the fields are calculated to produce the best crop yield with minimum application of the chemicals and are within the limits recommended by producers. This measure is intended to reduce wash-out of fertilizers and pesticides into the drainage canals and to minimize the impact on the recipient water bodies. The government supplies the required irrigation water to the contract farmers. A master meter is installed to record the irrigation water consumption and contract farmers pay the amount for actual water consumed. On case to case basis IAL provides paid service in cleaning of irrigation channels.

215. It shall be also noted that during the site visit ongoing works on drilling a well were observed in Istiqlol, Sirdarya region. The water is expected to be used in case of fire (as supplemental water source). IAL shall obtain the special water use permit for this well.

216. Wastewater management. No process wastewater is generated during cotton and wheat production operations. Wastewater generated during IAL operations includes: (i) run-off from rainfall; (ii) sewage from sanitation facilities; (iii) wastewater from washing agricultural and other machinery, contaminated with oil and petroleum products; and (iv) contaminated wastewater generated from chemicals mixing area and washing of containers used for chemicals. Draft ESMP states that storm drainage and sewage go to soak pits. And pits are used for the collection of contaminated run-offs generated from vehicle washing activities and accidental spills from pesticide mixing is to be both concreted and High-Density Polyethylene (HDPE) lined to prevent any potential contamination risks. For cotton pickers, IAL provided temporary toilet (portalet) during the harvest season.

217. Storm drains to remove rainwater were observed on almost all sites (in Toirov no storm drains were installed yet, and at the time of the audit cleaning staff had to swipe the surfaces after each rain as the water was pooled in sanitary facilities). According to IAL, the wastewater generated in the toilets, showers, sinks flow into the concrete reservoir and is periodically pumped out into tanker trucks and removed from the site. Similarly, the wastewater generated from car/machinery wash areas (contaminated with oils and other petroleum products) is collected in another reservoir and removed periodically, if not evaporated. In addition, the wastewater generated in chemicals mixing areas and from washing the containers used for chemicals is collected in a separate reservoir. The wastewater from reservoirs is pumped out into tanker trucks and removed from the site by a relevant state entity or a specialized contractor(s) approved by the state entity. No information is available on where this wastewater is disposed of. No rainwater

harvesting, water recycling or treatment of wastewater is undertaken on the sites.

218. ESIA states, that no mitigation measures are required, provided that the gin plants and vehicle depots (Farm depot) are equipped with stormwater collection and mechanical wastewater treatment systems and operate within the guidelines embedded in the design. ESIA also emphasizes the importance of IAL's continuous monitoring to ensure that there are no additional uncontrolled releases of any hazardous liquids. Environmental Monitoring Plan (drafted as a part of the ESMPs package) includes the requirement to monitor drinking water quality, irrigation as well as stormwater and wastewater quality.

219. Flood risk. Amu Darya and Syrdarya river floodplains is located more than 50 km away from the IAL sites and are therefore not regarded as potential sources of flooding. The risk of surface runoff is negligible because annual precipitation is approximately 200-300 mm.

Corrective actions:

- ➔ Ensure that appropriate agreements on water supply and wastewater discharge are obtained and valid.
- ➔ Finalize and implement Environmental Monitoring Plan. Include periodic reporting requirements in the Environmental Monitoring Plan, to provide the results of the monitoring activities, analysis of monitoring outcomes, and further actions, if needed.

Noise and vibration

220. The ESIA specifies noise and vibration impacts that are associated with Cotton Farming Project and includes mitigation measures. The noise impacts are also briefly mentioned in the draft ESMS and addressed in the draft Environmental Monitoring Plan, which envisages ambient noise monitoring onsite and near sensitive locations.

221. Operational staff working at gins is exposed to noise from ginning machines and other equipment at the gin plants. According to IAL all equipment is regularly serviced and maintained so that the effectiveness of any noise mitigation incorporated within the design of all components does not significantly decrease over the operational life of the items. In addition, the employees working at the gins and other areas with significant noise levels are required to use PPE including hearing protection equipment. During the site visits, several gin employees without hearing protection equipment were observed. Some of these employees mentioned that the hearing protection plugs are not comfortable to wear, few others noted that they can't hear their colleagues when wearing the plugs and thus prefer to not use them.

222. Other noise and vibration hazards are associated with agricultural works and running machinery, e.g., levelers, combine harvesters and other machines used in the fields. In the meantime, the noise from field leveling, canals cleaning and reconstruction is not expected to cause any significant impact on local communities, as the activities will be conducted in or along the fields and will be temporary in nature.

223. During the site visits, the E&S local Consultant carried out discussions with gin staff, field workers, and nearby communities and no noise complaints were received. No unnecessary running noisy equipment or machinery with revving engines was observed during visits to IAL facilities and fields.

Corrective actions:

- ➔ Presence of personnel not directly involved in cotton ginning works in areas with noisy equipment shall be minimized.
- ➔ Hearing protection equipment shall be provided for all personnel who may be present in rooms with noisy equipment and use of such equipment shall be strictly enforced.
- ➔ Workers exposed to noise shall be subject to regular medical examinations for early identification of signs of the potential health impact of noise.

Material and waste management

224. Potential hazardous materials and wastes at IAL facilities include chemicals (fertilizers, pesticides, herbicides, etc.), oil and fuel (diesel) for machinery and equipment, oils and solvents waste, contaminated packaging, cleaning materials, contaminated soils (potentially from leakage and spillage), used batteries.

225. Storage. The draft ESMS briefly addresses the risks of agrochemicals/pesticides use and potential contamination of soils, wildlife, human health, groundwater, or surface water resources caused by accidental spills during the transfer, mixing, storage, and appropriate application of agrochemicals/pesticides. In the meantime, a number of drafts ESMPs referring to the storage and handling of materials (including hazardous) are in process of development. In particular, the Pesticides, Defoliants and Fertilizers Management Plan (updated version to be aligned with Food and Agricultural Organization's (FAO) International Code of Conduct on the Distribution and Use of Pesticides) is applicable to all IAL operations involving use of these chemicals, as well as to personnel involved in the handling of these chemicals (the plan includes special requirements on storage of these chemicals). The Oil Spill Prevention Plan addresses the preventive measures and response actions associated with potential spills resulting from the storage and handling of fuel, lubricants, used oil, etc. from IAL operations at its ginning and farm depot units. In addition, Housekeeping Plan includes a separate section on the storage and handling of hazardous chemicals, including storage of different chemicals (dangerous goods and combustible liquids) based on their compatibility chart.

226. List of pesticides and chemicals used by IAL in 2022 is provided in the Annex IV. According to the list IAL uses 36 types of chemicals, including fertilizers, pesticides, defoliants. This list provides pesticides rating in accordance with the WHO classification³⁴ and includes 19 chemicals of class II (moderately hazardous). The remaining chemicals are either of class III (slightly hazardous) or class U (unlikely to present acute hazard). IAL mentioned that they are continuously reducing the quantity of used chemicals from year to year. In addition to above, they also introduced IPM (Integrated Pest Management) approach to consciously reduce the agrochemicals consumption and use more of biological agents. In direct farming for cotton crop, they have reduced chemical usage by >85% (taking 2020 as the base) through a phased approach. For direct farming, IAL currently uses biological beneficial insects namely Trichogramma, Green lacewing & Bracon as a biological control, along with the Biopesticides, namely Bt powder (*Bacillus thuringiensis*) & BW (*Beauveria bassiana*), for cotton pest control, and in future IAL will also add use of *Verticillium lecanii* for sucking pest control. IAL is committed to increase the use of biologicals agents year over year. Specific details will be included in final version of Pesticides, Defoliants and Fertilizers Management Plan. In addition, IAL is also committed to phasing out the use of class II pesticides (gradual reduction on use of chemicals) for its corporate farming operations as well as contract farmers (see Annex IV).

227. Uzbekistan has established a database of laws and regulations governing the production, use, storing of chemicals, liability of individuals and legal entities, as well as safe use of the

³⁴ <https://www.who.int/publications/i/item/9789240005662>

chemicals, including registration, licensing and prevention of accumulation of hazardous chemicals in country. Uzbekistan is a party to the Stockholm Conventions on Persistent Organic Pollutants and takes part in the strategic approach to international management of chemicals. The Law on the Protection of Agricultural Plants from Pests, Diseases and Weeds (no 116-II dated 31.08.2000, last amended on 27.04.2021) regulates relations related to ensuring the protection of agricultural plants from pests, diseases, and weeds, preventing the harmful effects of plant protection products on human health and the natural environment. Classification of pesticides by the toxicity and hazard level is provided in SanR&N No 321-15 dated 22.09.2015, according to which there are 4 classes of pesticides (I class – extremely hazardous, II class – hazardous, III – moderately hazardous, IV – low-risk). Resolution of the President of RoU on Comprehensive Measures to Develop Biotechnologies and improve the System of Ensuring the Biological Safety of the Country (No PP-4899 dated 25.11.2020). According to the resolution, the Ministry of Agriculture together with the interested ministries and departments, within two months shall: (i) review and approve the list of pesticides and toxic chemicals permitted in accordance with the International Plant Protection Convention and other relevant international standards, as well as the norms for the use of mineral fertilizers; (ii) develop and submit to the Cabinet of Ministers a set of measures to increase the volume of consumption of biotechnological products, a phased transition from the use of chemical fertilizers, pesticides, and other toxic chemicals to biological products in agriculture. The resolution also stated that starting from March 1, 2021, entities engaged in economic activities, producing or importing pesticides, herbicides and other toxic chemicals into RoU shall ensure that standard samples of these substances are included in the established procedure in the List of chemical and biological pest control agents, plant diseases and weeds, defoliant and plant growth regulators approved for use in agriculture of the ROU, as well as their sale together with these reference standards. A “List of Pesticides and Agrochemicals Permitted for Use in Agriculture in the Republic of Uzbekistan” is also published (and periodically updated), however it is available in printed copy only and not made available to E&S consultant for review.

228. Dedicated storage areas are established at IAL sites and were observed during the site visits. The materials and supplies are stored in large warehouse facilities, where dedicated storage areas are established for different types of supplies. The warehouse facilities are located inside separate buildings, away from common areas, and have impermeable floor lining/pavement. The storage sections for different supplies are clearly labelled. Separate areas are allocated for storage of oils and tires, as well as chemicals. The banners on safe handling of chemicals and special precaution measures to be followed are displayed in warehouse areas. Separate bins with spill kits were observed in all visited storage facilities. The workers dealing with hazardous materials were provided with special training and wearing appropriate PPE (on one of the sites in Syrdarya the employee demonstrated the special PPE). No spills of oils or chemicals were observed in the premises of storage facilities.

229. During site visits, separate areas in Fazli, Nuristan, Toirov dedicated to diesel fueling stations (fueling station is under construction in Istiqlol) were observed. The agricultural machinery of IAL is fueled on-site (at the fueling station). In addition, IAL uses a fleet of special fuel tanker trucks to deliver fuel to the equipment and machinery working in the fields and carry out their refueling on an as-needed basis minimizing interruptions of productive work. No petrol or gas refueling is carried out, and all the vehicles that use these types of fuel are fueled off-site at commercial gas stations.

230. During the site visits, some oil spills were observed in vehicle services areas, nearby fueling stations and some other areas.

231. Waste management. Waste Management Plan is under development. The plan provides details on waste categorization and includes details on the handling each category of waste. IAL distinguishes three categories of waste: (i) Non-Hazardous Solid Wastes, including agro-wastes (straw, hay, cotton stalks, etc.) food wastes, kitchen wastes, and recyclable wastes; (ii) Hazardous Wastes, including waste/used oil, discarded pesticides container/fertilizer bags, used tires, etc.; and (iii) Bio-medical Wastes generated during provision of first aid, and including bandage, expired medicine etc.

232. It shall also be noted that IAL started bio composting, which allows for minimizing the agricultural waste (leaf material, roots, and other plant parts), and shifting to a more sustainable fertilization process.

233. During the site visits E&S consultants got acquainted with the waste-related situation at construction sites, and procedures applied for waste collection, segregation, and disposal. During the site visits, it was observed that waste bins for different categories of waste are available at all sites. The containers for domestic waste, recyclable waste and scrap metals were observed, along with the separate areas established for hazardous waste (used oil and chemical drums, leftover chemicals, and containers used to store the chemicals). No burning of waste was noticed. According to IAL representatives, the agreements are signed with the relevant state entities or contractors approved by such state entities to organize transportation and disposal of waste at the approved sites. Usually, these contracts are signed for one year and are renewed on annual basis. During the audit, some of the contracts concluded for waste transportation and disposal for 2021 were reviewed. At the time of the review, these contracts were expired, however, according to verbal information provided by IAL, they also signed contracts for 2022 (the documents shared with E&S Consultant for review are provided in Table 13). The waste disposal is carried out based on the amount of waste generated on the sites (once a sufficient amount of waste is generated, the IAL requests the contractor to take it out for disposal).

234. Overall, proper waste management practices were kept at most sites visited during the audit, however in a few areas the litter (including domestic waste, and construction waste) was placed on the bare ground.

D. Housekeeping

235. Housekeeping. Dining areas, toilets, and showers (separate for men and women) were arranged at all visited sites. In the meantime, the changing rooms were not available, which prompted workers to use showers, dining rooms or some other areas for changing and storing clothes, which reduced the comfort of use and suitability of these areas for their direct purpose.

236. Dining areas are available at all visited sites (in some sites the dining areas for administrative employees are separate). In one of the sites (Mughlon), a kitchen was operating cooking meals for each shift of workers. Dining areas represent the rooms with tables and chairs and tap water, where employees can wash their hands and have their meal during the lunch break. In some of the areas, there's no shelving/storage available for employees to store their meals, and it was observed that employees stored them on the floor (in the plastic package). In one case it was mentioned that the capacity of the room is limited, which does not allow the employees to dine comfortably (insufficient number of chairs and table is small). In one isolated instance on of the sites, the workers noted that a cat is entering the dining area (when they are at work) and spoils their food. The bottled drinking water is delivered to the sites and is available for employees (no daily consumption quota is set), while the tap water is used for handwashing and other sanitary purposes.

237. During informal discussions, at all visited sites workers inquired about establishing separate changing rooms for men and women workers, as well as in some the areas improvements of dining rooms were requested (to ensure all workers fit into the room and have available sitting, as well as shelving to store their meals).

Corrective actions:

- ➔ Ensure the development and implementation of the Waste Management Plan in accordance with the requirements of national legislation and best international practices. Ensure that waste categorization in WMP is to the extent possible aligned with the requirements of national legislation to facilitate the signing of the contracts with relevant entities and ensure safe disposal for all categories of waste.
- ➔ Improve housekeeping and waste management at the Project sites, including removal of litter and improvement of measures for spills control (e.g., use metal trays to be placed under the vehicles and machinery during the oil change, as the tray will allow capturing the used oil without it spilling to gravel or pavement).
- ➔ In addition to storage areas, the spill kits shall also be placed at the fueling areas, as well as in car maintenance shops/areas. In addition, it is recommended to equip each fuel tanker truck with a spill kit, so it can be used should the spill occur during machinery refueling at the field.
- ➔ Arrange changing rooms separate for men and women at each facility/site. Consult employees on options for arranging changing rooms prior to making a final decision.
- ➔ Improve dining areas (where needed) to ensure availability of sufficient dining space (chairs, table of adequate size) and arrange shelving/storage to allow employees to store their food items. Ensure that entrance of animals to the dining areas is restricted.
- ➔ Ensure that the final Pesticides, Defoliants and Fertilizers Management Plan is aligned with FAO's International Code of Conduct on the Distribution and Use of Pesticides.

5.10 MONITORING AND AUDITING

238. The 16 draft ESMPs specify the processes to monitor and measure the delivery of its policies and objectives. These processes include but are not limited to, inspection, observations, and recording deviations.

239. In addition, the ESMS includes a separate section on monitoring and reporting and established IAL's responsibility to monitor and measure the effectiveness of ESMS covering various stakeholders including contractors, laborers, suppliers, and the local community impacted by the project operations activities and associated facilities. According to the draft ESMS, the Sr. Manager-ESG shall receive monthly updates from the HSE Head concerning the implementation of the ESMS and key issues concerning E&S aspects during the Monthly Performance Review Meeting. This information shall be collated into the Monthly Performance Report and presented to the ESG Committee for discussion. Through the process of inspection, audit, and monitoring, IAL will ensure that all the requirements of the applicable framework, as suggested within this manual, are effectively met including those of risk assessment checklists and action plans. The inspections and audits are done by IAL's internal audit team and external agencies/experts as per requirement and the entire process of inspections and audits/ monitoring will be documented. The audits/ monitoring findings will be implemented by the contractors too in their respective areas, wherever applicable. In its section on Procedure for ESMS Monitoring and Measurement, the Draft ESMS covers internal monitoring and external monitoring.

240. ESMS also specifies that IAL shall develop and implement a reporting program through

all stages of the project lifecycle. The HSE Head shall be responsible for documentation, to check whether the adequate controls are in place and whether those controls are being complied with or not, as well as for timely report submission with an acceptable level of details to the Sr. Manager-ESG. Reporting is to be done in form of environmental, health, safety and social checklist, incident record register, environmental, health, safety, and social performance reports at required intervals. The requirements for internal and external reporting, the type of reporting and its frequency are provided in ESMS.

241. During the audit, the reporting prepared by IAL and provided for review included monthly reports on HSE activities, grievances redress, trainings provided, incidents registered. The confidential report with projections for 2021 providing updated on all major aspects of IAL operations was also shared. The report notes that IAL is working towards implementing a formal and internationally accredited ESG (Environment, Social and Governance) reporting framework and has engaged ERM India for this project.

242. In addition, the IAL is in process of certification for BCI and ISO. IAL just completed the BCI Audits In September-November 2022 and ISO (ISO 9001, ISO 14001, and ISO 45001) internal audits across all facilities. The internal BCI audit (prior to the external BCI audit) was also undertaken with the help of IFC Advisory in August-September 2022. The BCI and ISO IMS scope covers only direct farming operations. These certifications and accreditation will require periodic monitoring and reporting to measure and analyze relevant processes and record results.

Corrective actions:

- ➔ Ensure that ESMPs to be finalized include appropriate environmental monitoring and reporting requirements aligned with ESMS. ESMS and ESMPs implementation progress shall be reported to ADB on semi-annual basis through submission of Semi Annual Environmental and Social Monitoring Report (SAESMR).
- ➔ Ensure that internal monitoring and reporting also cover the issues raised by employees in line with the GRM and Whistle Blower Policy.

5.11 OCCUPATIONAL HEALTH AND SAFETY

243. Health and Safety Policy of IAL stated the commitment to the goal of zero harm and no accidents at workplace and emphasizes that the health and safety of our employees, service providers, and any other person who may be impacted by IAL's operations are of paramount importance. The Health and Safety Policy is complemented by a detailed SOP on Personal Protective Equipment (PPE). The SOP describes the requirements of PPE for the on-site construction and production operations. It is mandatory and applies to IAL construction and production operations and managed sites, including its contractors. The SOP specifies the minimum requirements of safety devices and special tools (safety helmets, gloves, safety belts, well-supported ladders, hand tools kit, first aid kit containing dettol, bandage, burnol, cotton, painkiller pills). The appropriate PPE is selected based on the protection level required for the work: (i) Level A: PPEs are selected when the greatest level of the skin, respiratory, and eye protection is required; (ii) Level B: PPE are used when the highest level of respiratory protection is necessary, but a lesser level of skin protection is needed; (iii) Level C: the concentration(s) and type(s) of airborne substance(s) is known and the criteria for using air-purifying respirators are met; (iv) Level D: a work uniform affording minimal protection: used for nuisance contamination only.

244. In addition to the policy and SOP, a number of ESMPs addressing health and safety

issues, namely: the Occupational Health & Safety Plan, Community Health & Safety Plan, Traffic Management Plan, and Security Management Plan were developed for IAL and are in process of finalization.

245. The Occupational Health & Safety Plan upon finalization will be the key is the key document to implement the related policies and procedures for the safety of personnel including temporary/contract workers operating at the IAL sites viz. direct farming, contract farming, cotton collection points (CCP), farm depots, gins, and warehouses, etc. The plan is detailed and includes a number of sections covering roles and responsibilities, hazard identification and risk assessment, permit to work system, operational planning and control, worker welfare facilities, awareness, and training, as well as accident and incident and near miss reporting and investigations, and health and safety monitoring, audit and reporting.

246. The ESMS also includes a section on Occupational Health & Safety and Labor Conditions stating that the objective of occupational health & safety is to reduce accidents and work-related illnesses, by keeping them as close to zero as possible. The section includes provisions for physical hazards, risk of fire and explosion, biological hazards, children and forced labor, vulnerable or disadvantaged persons, and health and safety management. It includes Risk Assessment Methods, which are somewhat different from the overall Risk Management SOP, thus the alignment is these two processes is recommended.

247. During the audit it was confirmed that PPE is provided to employees in accordance with their work type. Banners with health and safety instructions (including on the correct use of PPE) were observed in multiple areas at the sites. During the site visits the employees overall were using PPE, however in some areas prone to significant noise impact it was noticed that some of the employees do not wear proper ear protection (plugs) – they claimed that plugs prevent them from hearing their colleagues. In a few cases, it seems that employees were not using uniforms (shirts, etc.). In a few other cases, it was noticed that some employees were not properly wearing helmets. Visitors of IAL facilities are also provided with brief health and safety training as well as are equipped with appropriate PPE.

248. In addition, IAL has an Agro Pesticides Management Policy, aimed at protecting biodiversity and minimizing adverse effects of pesticides on the environment (water, soil, and air) and on human health, as well as the SOP on Restricted Entry Interval for Agro Chemicals Application in Agriculture Fields, the purpose of which is to create awareness for chemicals used in agricultural fields for cereal and cotton crops. The definition of Restricted Entry Interval (REI) is included in SOP, and represents the period that agricultural workers, or anyone else, must not do hand labor in treated areas after a pesticide has been applied. This is to allow residues and vapors to dissipate to safe levels for work to be performed. The REI can range from 12 hours to several days.

249. All of the employees are provided with annual medical checkups or on-site checks, however, the staff that deals with sanitary-hygienic works (cleaners, etc.) are provided with semi-annual medical checkup. The medical personnel in each facility maintains the medical record book for every worker. At the time of recruitment, the reference on fitness for work (this is the standard reference required in accordance with national legislation) is required to be provided by the prospective employees. This reference is provided by the candidate's local medical institution of following a checkup.

250. Medical personnel (paramedics and nurses) are available on the site 24 hours a day during gin operation. During the off-season period the medical personnel operates at 50%

capacity and only on working days (daytime). The medical station includes all relevant medicines and supplies for the provision of first aid. However, in case of major injuries, following the provision of first aid, the employee is required to be taken to the nearby hospital for further medical assistance and treatment. Medical staff maintains the lists of available medication and supplies, to make sure that sufficient medicine and supplies are available and monitor the status of their expiry. They also undertake the daily check-up of drivers (blood pressure and breathalyzer test to check blood alcohol concentration) and maintain the log with appropriate records (separate record books are maintained for various groups of employees).

Corrective actions:

- ➔ IAL to ensure proper PPE use by employees through regular training, inspection and monitoring and strict enforcement of OHS Plan. The presence of personnel not directly involved in cotton ginning works in areas with increased noise levels shall be avoided, to minimize their exposure to risks of potential hearing damage. Using ear protection in such areas must be mandatory. Signaling can be introduced between the personnel that needs to communicate. Workers exposed to noise shall be subject to regular medical examinations for early identification of hearing issues.

5.12 EMERGENCY MANAGEMENT

251. Emergency Preparedness and Response Plan was drafted for IAL and is in process of finalization. It provides an outline of the procedures required to be followed by all the workers, and visitors at the site in the event of an emergency / handling sudden or unexpected situations. Upon finalization, this plan will be applicable to all workers and employees working at the site and contractors / sub-contractors operating onsite including the visitors such as consultants, auditors, personnel from government agencies, representatives from lender organizations, etc. The plan includes details on roles and responsibilities, pre-emergency planning, and providing type of emergency, such as emergency caused by design / system / equipment failure or unsafe operation (e.g., fire/explosion, fuel and chemical spillage, medical emergency, incidents when working in confined spaces, respiratory hazards, occupational emergencies), as well as emergencies caused by human activity and natural calamities. The plan also provides emergency classification, emergency notification and evacuation process, re-entry, and emergency response measures, as well as addresses emergency response training and communication, and monitoring and review.

252. The draft ESMS, includes a separate brief section on Emergency Preparedness and Response, as well as refers to the Emergency Preparedness and Response Plan in its list of E&S Management Plans & Procedures, and includes a reference to a standalone appendix with a standard Emergency Preparedness and Response Framework (yet to be developed).

253. During the audit, the information on incidents that occurred in 2022 was requested and the provided log was reviewed. The logs provide a number of cases per each month for the following types of injuries: cut injury, slippage on floor, body part in machine, acid spillage, burn injury, fall from height, hitting structural items or machine, any part falling on body, eye injury, unsafe structure impact, others. Since the beginning of the year and until the time of the audit (October 2022), a total of 5 incidents were reported, 3 of which involve IAL employees (including 2 cut injuries and 1 fall from height) and 2 incidents (1 hitting structural items or machine and 1 other) involving an employee of a contractor. All injured persons were men. In the meantime, one fatal case was recorded in April 2022.

254. Medical team (including paramedic and nurse) available at each site where facilities are

operational. The medical station at the site is equipped to provide first aid and treatment. In the meantime, IAL also maintains the contracts with nearest hospitals in both regions, and in the case of serious injury the IAL will contact the hospital and the ambulance will approach the site to take the injured person to the hospital. Usually, district hospitals are considered for the provision of further medical assistance and treatment, however in case of very serious issues, the injured persons will be delivered to other specialized hospitals.

255. All IAL facilities are equipped with automatic fire suppression systems, alarm systems, and smoke detectors. Firefighting staff is permanently available at each site. Firefighting kits (with firefighting equipment, such as blanket, hose, axe, etc.), as well as multiple fire extinguishers were observed during the site visits. The equipment was regularly checked and in many kits the date of the last inspection was marked. The Head of the HSE unit mentioned, that regular monitoring is undertaken by the HSE unit, in addition, periodic inspections are undertaken by state entities and relevant certificates (required in accordance with local legislation) are obtained/renewed, as needed. The Head of the HSE department mentioned that IAL has obtained a total of 85 certificates for fire and ecological approvals.

256. During the audit, the evacuation plans, fire-fighting kits, and fire-extinguishers along with the relevant information banners, as well as spill kits, first aid kits were observed at all visited sites. In one of the sites, eye wash station (allowing to wash eyes without touching them with hands) was observed, along with the boxes with SDS for hazardous materials. The staff is provided with a training on fire and technical safety, provision of first aid. PPE is provided to employees depending on their type of work. A document with standard signs used by IAL for SDS information, PPE, precautions, warnings, fire hazards was shared for review. Maps of the structures with the evacuation route and exits were observed in number of facilities during the site visits.

257. During informal discussions with the employees, it was confirmed that they received the training (fire safety and first aid training were particularly mentioned) and are aware of the location of the nearby fire extinguishers, location of medical station (nearest first aid kit), and knew what to do in case of emergency.

5.13 SITE SELECTION AND LAND ALLOCATION

258. Livelihood Restoration Plan LRP) was prepared for the Cotton Farming Project in December 2020 (disclosed on IAL's website as a part of ESIA package). In August 2018 the GoU has made a decision (Decree of the Cabinet of Ministers of Uzbekistan No.632 of 08.08.2018 "On Measures to Establish a Modern Cotton and Textile Production by Indorama (Singapore) in the Republic of Uzbekistan") to allocate land to the Cotton Farming Project in two phases:

- Phase 1 (completed) – land in Sirdarya and Kashkadarya regions (for this phase the LRP was prepared)
- Phase 2 (to be completed before 2023) – Land in Fergana and Jjzakh regions.

259. The land used for contract farming operations is registered to the farmers and the contracts concluded with cotton/wheat farms do not envisage any use of land by IAL. This was confirmed during the review of a sample contract that is used as a basis for signing the contracts between IAL and the farmer. In the meantime, the contracts include the clause of liability with the property. During the site visits, informal discussions were held with cotton farmers in Kashkadarya region, who also confirmed that the land is registered to them and is not used by IAL directly, but rather used by the farmer itself to grow the crop to be sold to IAL.

260. Based on the available information, the proposed Project can be categorized C for Involuntary Resettlement, since the land acquisition resettlement (including economic displacement) impacts are not associated with the contract farming operations of IAL.

Corrective actions:

- ➔ Ensure that all relevant documents are included in the document's repository.
- ➔ Should the project require land use change or new land acquisition, this will be undertaken in accordance with the ADB SPS 2009. ADB will be notified as soon as the change is known and prior to impact.

5.14 COMMUNITY HEALTH AND SAFETY MANAGEMENT PLAN

261. IAL addresses community E&S as a part of the draft ESMS (the section shall be developed further), as well as in the Community Health and Safety Management Plan and Traffic Management Plan (draft plans are included in the draft ESMPs package). According to this plan, the risks pertaining to the local community from the project activities during the operations phase are:

- **Traffic Disruption and Road Safety:** Traffic will increase as a result of the movement of vehicles carrying materials and the movement of large machinery to and from the cotton farms. Such activities may disrupt the access to the roads used by IAL or have an impact on the road safety of the local community.
- **Dust Generation:** Land leveling activities can cause dust generation which can have an impact on the local communities and settlements present in the vicinity of the project farms.
- **Spraying Activities:** Spraying of agrochemicals, pesticides and even herbicides may have an impact on the health of persons encountering these substances, at the farms.
- **Accidental Spills:** Transport or transfer of portable oil tankers being used for topping up farm vehicles may have risks of accidental spills.

262. The site-level HSE Officer of IAL will ensure the implementation and functioning of the Plan and will coordinate with relevant departments of IAL (e.g., Department of Transportation, Department of Machineries, Department of Production) as well as with the GRM and CLO members of ESG team.

263. It shall be also noted that collaboration with communities is established as a part of GRM and CSR activities. CLOs of the ESG team serve as the main liaisons with communities ensuring communication on any issues regarding IAL operations that may concern the members of the community. In addition, regular engagement with the communities is carried out as a part of SEP implementation.

264. During informal discussions with mahallas and community residents, a request to possibly consider establishment of textile production facilities were requested, as it will create jobs and help the local residents to generate income.

265. In some areas of its operations, IAL transplanted trees by use of specialized equipment "Dutchman 650i Tree Spade", which is accepted internationally as one of the best and is used

extensively across the world for transplanting trees. IAL also took care of transplanted trees adding compost, fertilizer and irrigating before and after the transplanting.

Corrective actions:

- ➔ Finalize the draft Community Health and Safety Management Plan to consider traffic disruption and road safety impacts and mitigating measures and ensure its alignment with SEP. Finalize the relevant sections of ESMS. Ensure these documents include the mechanism of providing feedback to communities in case any issues with respect to community H&S issues are raised.
- ➔ If any tree cutting is required in the project area, the preference should be given to transplanting them and, if transplanting is not possible, the planting of new trees in the areas agreed with community shall be implemented in accordance with the requirements of national legislation and best international practices (such as planting a number of saplings for each tree cut, ensuring availability of irrigation water and other necessary measures to ensure proper growth of young trees, etc.).

5.15 GRIEVANCE REDRESS

266. In addition to the internal grievance redress mechanism, the IAL has also established the external grievance redress mechanism (GRM), which includes the Grievance Redressal Policy (most recent version issued on 05.09.2022) and GRM Standard Operating Process. In addition, External Grievance Redress Procedure is drafted as a part of the ESMPs package, and specifically outlines the procedure for managing grievances and complaints raised by external stakeholders comprising of the local communities, Mahalla, etc. residing nearby the IAL project area, in a planned, timely and respectful manner.

267. IAL is committed to providing stakeholders with an effective and responsive grievance and conflict resolution process. The policy aims to have a Grievance Redress Mechanism (GRM) that has an easily accessible, transparent, and consistent process for submitting and processing complaints, in a confidential manner. The grievances may be felt and expressed by the stakeholders who may be affected by the social and environmental impacts across the project life cycle. The objective of the GRM policy is to:

- Provide a forum for the stakeholders, to voice their concerns, and queries and resolve issues in a timely manner, especially with regard to environmental, health and safety and security issues;
- Provide a system through which their queries can be channeled and will ensure timely responses to each query;
- Provide an accessible and credible mechanism for stakeholders to redress their issues and grievances in regard to project functioning.

268. The GRM officers are designated at each region and are responsible for the implementation and functioning of the GRM. The designated Community Liaison Officers (CLO) at each region are responsible for implementation and functioning of External Redressal Mechanism. The external stakeholders can submit their grievances through a number of methods, but not limited to the following:

- (i) in person;
- (ii) over telephone using the number of GRO, CLO or helpline number hotline number (+998 99 010 3939);
- (iii) in writing;
- (iv) by dedicated email (murojaat.ial@uz.indorama.com).

269. The grievances will be registered in the log and an acknowledgment will be provided to the complainant. Further, the grievances will be screened by the responsible staff depending on the level of severity in order to determine who the grievance owner will be and how the grievance will have approached. If a more complex investigation is required, the complainant should receive an update explaining the actions required to resolve the complaint, and the likely timeline.

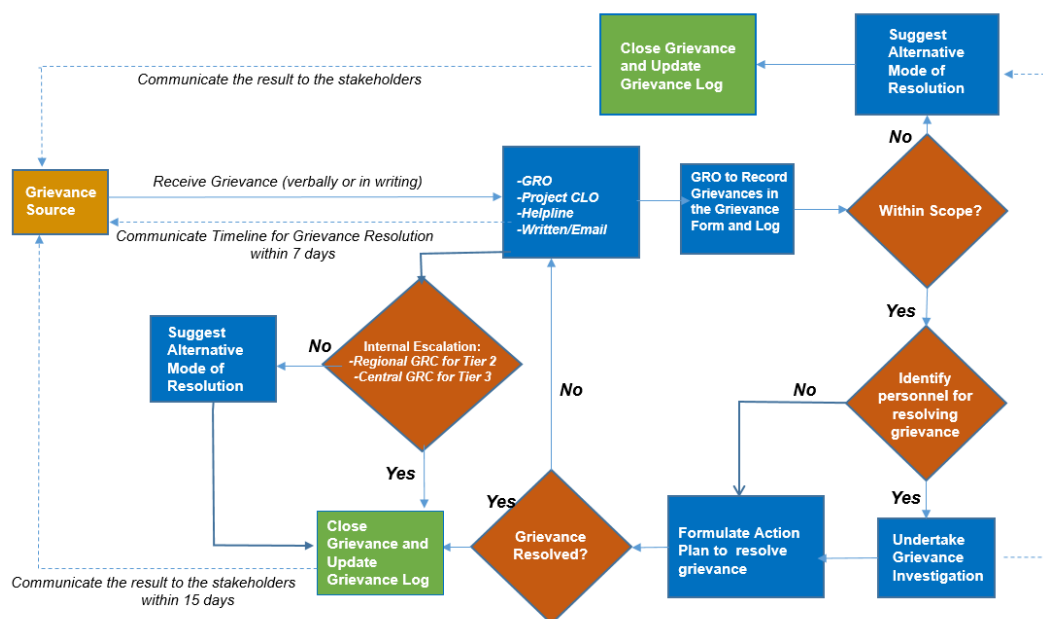
270. A three-tier mechanism for GRM will be adopted:

- Tier 1: The complaints /grievances may be received by the GRO or Project CLO verbally or through written applications. The GRO will acknowledge the complaint within 7 days. The GRO will review the complaints and conduct a site visit. Efforts will be made to resolve them in consultation with the complainant. The grievance/complaint should be resolved within 30 days from the date of receipt of the complaint will be made. In case the aggrieved is not satisfied with the solution provided in Tier 1 he/she may escalate it to Tier 2.
- Tier 2: Complaints /grievances that cannot be resolved at Tier 1 or if the aggrieved is not satisfied with the decision of Tier 1, he/she can appeal for further redressal, and his/her grievance can be referred to Tier 2. The ESG Team (Sr. ESG Manager and ESG Manager), along with Regional GRC will resolve cases under Tier 2. The entire process of investigation would be completed within 30 days of the complaint being referred to Tier 2.
- Tier 3: Tier 3 will address high brevity issues, which may pose as a threat to the company, and that cannot be addressed or resolved at Tier 2. The COO, IAL will head this stage along with the Central GRC. The entire process at this stage will resolve the matter within a period of 30 days from the date of receipt of the complaint at Tier 3.
- Court of Law: If the grievance/ complaint is not resolved at the third level or the complainant is not satisfied with the solution, the person may approach the Court of Law.

271. The responsible staff will contact the complainant after the grievance has been resolved. If the complainant accepts the proposed resolution, the agreed actions are implemented. Such resolutions are recorded in the Grievance Register with supporting documentation and evidence. Hence, the resolution of the grievance will be formally closed out.

272. In cases where the complainant is unsatisfied with and/or unwilling to accept the resolution actions proposed, the grievance may be escalated to the next tier for further review.

273. The flowchart demonstrating the process for external grievance redress is presented in figure 7 below.



External Grievance Redress Mechanism (GRM) Flowchart

Figure 7. Grievance Redressal Flowchart for IAL

274. During informal discussions with mahallas and community residents, no grievances related to IAL operations were raised.

Corrective actions:

- ➔ The GRM should include channels for raising anonymous and confidential grievances (including those linked to Gender-Based Violence and Harassment).
- ➔ It is recommended to use a simple common email address for GRM (and not a personalized address of an employee that is indeed complicated to type without a mistake and might change in the future).
- ➔ It is recommended that posters with GRM (including contacts for grievance lodging) are available at regional and district khokimyats and are shared with mahallas. It is also recommended that an opportunity to lodge a grievance through social media platforms (e.g., Telegram channel, etc.) is also provided to employees and stakeholders, as Telegram is very commonly used in Uzbekistan for communication.

5.16 COMMUNICATION / STAKEHOLDER ENGAGEMENT

275. Stakeholder Engagement Plan (SEP) has been developed for IAL as a part of the Environmental and Social Impact Assessment of the Cotton Farming Project implemented with IFC/EBRD funding. The SEP prepared by Mott MacDonald is dated December 2020 and was disclosed on the IAL's website. The SEP is disclosed on the IAL website, along with the 2-page Information Brochure developed for Cotton Farming Project, which includes brief information about the Cotton Farming Project, its components, the ESIA process, ESIA disclosure, and grievance redress mechanism. A number of public consultations and engagements were undertaken as a part of the ESIA preparation in 2019-2020. Further public hearings were also

carried out as a part of the EIA process in line with the national legislation for the facilities classified as category II. In the meantime, no public consultations or information disclosure activities were carried out as a part of the EIA process for category III and IV facilities, as these categories do not require mandatory public consultations according to national legislation.

276. A new Stakeholder Management Plan was drafted for IAL in July 2022 as a part of the ESMPs package. Project. It has been prepared in line with national law and international requirements. The SEP includes a brief description of the stakeholder engagement requirements, stakeholder identification and analysis, engagement details, roles, and responsibilities of various IAL units with respect to stakeholder engagement, as well as documentation, monitoring, and reporting process.

277. IAL is also in a continuous transparent dialogue with industry stakeholders such as Uztextileprom and private textile producers, local and international non-governmental organizations (NGOs), such as Better Cotton Initiative, International Cotton Advisory, civil society organizations (CSOs) and local human rights activists transferring best practices implemented by the Company and carrying out various training and coaching programmes for the contracted farmers. Contracted farmers are in day-to-day contact with PU managers and agronomists from Indorama and they communicate via WhatsApp application to receive advice and support. This was reflected in ESIA, as well as confirmed with IAL representatives.

278. IAL has a very good partnership with the local khokimyats and mahallas with established regular communication. Khokimyats and mahallas provide IAL with regular feedback from local communities and contract farmers in Project and jointly discuss challenges and find mutually beneficial solutions. In the meantime, IAL also collaborates with mahallas, who were found to be very useful while engaging the local residents for IAL operations, especially for activities that require manual work in the fields. To facilitate discussions with communities the IAL appointed two Community Liaison Officers (one in Kashkadarya and one in Sirdarya region). The Community Liaison Officers are responsible for community liaison and arranging communications with the communities located within the territory of IAL operations. The Community Liaison Officers will document and record all stakeholder engagement as detailed within the SEP and will evaluate stakeholder engagement performance to inform respective SEP updates. They will be responsible for the implementation of the SEP in their respective regions. As a part of collaboration with NGOs /CSOs, IAL also carries out quarterly update meeting NGOs Bankwatch and Uzbek Forum for Human Rights since March 2021. IFC and EBRD also participates in this meeting.

279. In the meantime, mahalla and community residents requested IAL to improve collaboration with communities, to continue engaging the local population in IAL works, as well as consider the establishment of the training centers in the regions to train the local population and then hire them for work, as well as discuss with communities upcoming CSR activities to ensure a best possible outcome for community residents (including representatives of disadvantaged groups). In one of the mahallas, the head emphasized the importance of communication with IAL, especially when they have open positions, so mahallas can share information with interested residents and facilitate their employment.

280. IAL is promoting sustainable engagement with local communities to align their interests and make the community a direct stakeholder by creating community assets as a part of the IAL operations. The purpose of creating community assets is to create an income enhancement opportunity for the communities located within the areas of IAL operations. According to ESIA, a Community Engagement Programme has been designed with the support of IFC Agri Advisory.

Since its establishment, IAL implemented a number of community-level support projects and intends to broaden the engagement with communities further and demonstrate that IAL cares for them and IAL's activities are aligned with the community long-term interest in income enhancement and improving community living standards.

281. Information on community level support projects implemented by IAL is summarized in table 15 below (data as of June 2022)

Table 15. Community level support projects implemented by IAL

No	Type of project	Location	Positive sustainable impact	Supporting UN SDG
1	Renovation of Kindergarten	Sardoba dist. Akoltin dist.	Infrastructure development for children education ~ 300 children's	SDG 4: Quality Education
2	Established Mulberry Plantation	Sardoba & Oqoltin Kasbi & Nishon	172.90 ha plantation for livelihood support ~ 2000 households and silkworm feeders for farm-based enterprise	SDG 8: Decent Work and Economic Growth
3	Youth Mentorship Programme	Sardoba & Oqoltin Kasbi & Nishon	197 ha allocated to ~400 young farmers with agrotech support, field training for skill development for unemployed youth. IAL selected 8 students from Tashkent Institute of Irrigation and Agriculture Mechanization Engineers for paid internship. These students were sent to Sirdarya for 3 months with the provision of accommodation, food, and transport by IAL. Qualified specialists were attached to each intern to teach them new irrigation technologies. Students also learnt efficient use of irrigated lands and installation of water pumps	SDG 8: Decent Work and Economic Growth
4	Construction of Sewing Factory	Mughlon MFY Kasbi dist. Kaptarli MFY Nishon dist.	A 200-seat sewing factory has been built and put into operation in Mughlon MFY of Kasbi district and Kaptarli MFY Nishon dist. for local women's livelihood support	SDG 9: Industry, Innovation, and Infrastructure
5	Summer Crop Programme	Sardoba & Oqoltin Kasbi & Nishon	2,127 has allocated to ~3,000 locals provided seed, fertilizers, agrotech support and field training for livelihood support to small scale farmers and unemployed youth.	SDG 8: Decent Work and Economic Growth
6	Road Repairs	Kasbi & Nishon Dist.	Road repairs and other activities conducted for community infrastructure development.	SDG 11: Sustainable Cities and Communities

7	Construction of Greenhouses	Kasbi & Nishon Dist.	Social assistance, the foreign company Indorama Agro LLC built and put into operation greenhouses for 100 households.	SDG 8: Decent Work and Economic Growth
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282. In addition, in October of 2022, IAL was implementing their flagship CSR project. IAL has allocated 1,333 ha of land to local community for collection of cotton stalk biomass. This project will help the community to fulfill their cooking and heating requirements in winter. Approximately 6000 local community people will benefit from this CSR project. According to IAL, in total 2022 about 100 CSR projects will be implemented, as per various community requests received by IAL. Photographs of community-level support projects implemented by IAL are presented in Annex VI.

Corrective actions:

- ➔ Finalize and implement SEP.
- ➔ Improve communication on CSR projects to ensure their most beneficial impact on community residents.

5.17 GENDER AND DEVELOPMENT

283. No specific Gender and Development Policy or similar documents are developed at IAL. In the meantime, the Human Resources Policy states that IAL is committed to providing equal opportunities for the development of each employee irrespective of gender and paying equal pay for equal work irrespective of gender. The Human Rights Policy of IAL seconds this approach and emphasizes equality, non-discrimination, and fairness in treating its employees. Recruitment Policy also states that IAL will establish and operate a competitive recruitment process founded upon a fair, open, and transparent approach designed to enable the selection of the most suitable person irrespective of age, gender, socio-economic status, and nationality.

284. In general, the approaches followed by IAL, and its contractors are consistent with Uzbekistan laws, which go along the following principles: (i) no differentiation of salary and benefits for men and women staff in the same occupational category and (ii) maternity leave and income support to women staff giving birth. Collective bargaining agreements, also include clauses related to women's engagement in work.

285. An Equal Opportunity Assessment was conducted by AETS supported by EBRD. The assessment produced the baseline report that gave in-depth review of IAL's human resources policies and practices and of its facilities in relation to employment opportunities and outcomes for women and men; identified specific areas for improvement as recommendations to promote equal opportunities across the company's activities; and supported IAL's management and staff on how to implement the necessary changes and build towards realizing the gender-related targets through capacity building, guidance and training.

286. According to the information obtained during the audit, in Kashkadarya region the permanent workforce is composed of 86.6% men and 13.4% women, and the seasonal workforce accounts for 92.2% of men and 7.8% of women employees. In Sirdarya region, men comprise 85.8% and the women comprise 14.2% of permanent workforce, while for the seasonal workforce the numbers are 96.7% for men and 3.3% for women. Most of women are engaged in management and administrative support roles, as well as in production activities. The men account the majority of the workforce (both expats and locals) in engineering, production, and supply chain activities.

287. With respect to engagement for work by contractors, here traditionally women are engaged for cotton picking and for bioagents releasing. However, during an informal discussion with cotton pickers, few men pickers were also working in the fields.

288. During informal discussions with employees and cotton pickers (including discussions in female-only groups), no issues related to unequal pay or treatment, or cases of gender-based violence were reported.

Corrective actions:

- ➔ In updated HR Policy (set of policies), in addition to provisions on ensuring equal employment opportunities and equal pay for both men and women with similar job descriptions, also include provisions on parental (maternity/paternity) leave, social insurance (if any is mandatory under national legislation and/or provided in accordance with corporate policy), as well as provisions on Gender-Based Violence and Harassment, and other gender-related work regulations.

6. AUDIT FINDINGS – SITE VISITS TO THE PROJECT AREAS

6.1 BACKGROUND INFORMATION ON SITE VISITS TO IAL OPERATION AREAS

289. Both regions were visited by a team of E&S local consultants between October 18-21, 2022. The facilities operating at the sites in each region were visited and discussions were held with the relevant representatives of IAL, employees, local communities, contract farmers, cotton pickers and their group leaders. Photographs and videos were made, as well as questionnaires summarizing environmental and social issues were completed. Following each site visit, a discussion was held within E&S consultants' team to summarize the key observations made during the site visits, discussions held, issues noticed, additional details and documents collected, as well as to check on the need for additional clarifications, and documents / meetings to be requested. Based on these discussions, an additional site visit was planned for the local social consultant on October 26, 2022, to follow up with additional discussions with contract farmers and their workers (cotton pickers) in Kashkadarya district.

290. The checklist for collecting E&S information was prepared and used during the site visits, as guidance for data collection. In addition to the collection of E&S data through completion of the checklist, the discussions were held with the employees, local mahallas, khokimyats, farmers, cotton pickers and their group leaders to confirm some of the collected data and acquire additional details.

291. Summary of observations was prepared for each region, which covered the information on facilities, as well as the details regarding the following social and environmental issues, such as labor, complaints, facilities for workers, health and safety, air pollution, water pollution, noise, service and storage areas, use of hazardous materials, waste management and housekeeping. Additional details are included on contract farming in Kashkadarya region. These details are provided in further sections.

292. The list of organizations/main representatives met during the site visits is provided in Annex I. The names of IAL non-key staff met on sites, employees, as well as representatives of mahallas, communities and khokimyats met and interviewed are not included in the list.

6.2 OBSERVATIONS MADE DURING THE SITE VISITS TO KASHKADARYA REGION

293. The information of IAL's facilities in Kashkadarya region is provided in table 16 below.

Table 16. IAL facilities in Kashkadarya region

Office and Facilities	Geographical Location	Owner of the warehouse/ Storage facilities and Year Established	Total Area of Facility	Zoning Classification*	Type of Commodity stored and Capacity per warehouse	Rights over property	Documents to support rights over property/ proof of ownership
Warehouse/ Storage	Fazli	Indorama Fazli Farm Depot Kasbi 2022	13.0105 ha (Fazli Gin & FD in same complex)	Private warehouse	Fertiliser = 15000 MT	Lease & contract deed	Cadaster Document
					Pesticide = 20000 MT		
					Mobile oil = 20000 MT		

Office and Facilities	Geogra- phical Location	Owner of the warehouse/ Storage facilities and Year Established	Total Area of Facility	Zoning Classi- fication*	Type of Commodity stored and Capacity per warehouse	Rights over property	Documents to support rights over property/ proof of ownership
					Diesel Fuel = 40 MT		
					Cotton for sale storage capacity = 5000 MT		
					Food Grain = NA		
	Nuristan	Indorama Nuristan Farm Depot	9,04 ha		Fertiliser = 14000 MT	Lease & contract deed	Cadaster Document
					Pesticide = 0		
					Mobile oil = 128 MT		
					Diesel Fuel = 40 MT		
					Cotton for sale storage capacity = 5000 MT		
					Food Grain =32000 MT		
Ginning	Fazli	Indorama Fazli Gin 2021		Complex	Details mentioned above		
	Mughlon	Indorama Mughlon Gin 2019		Complex	Building no 11: 2000 Mt Fiber bales Building no 17: 150 Mt Linter Bales Open Storage 1: 15000 Mt Fiber bales Open storage 2: 1500 Mt Linter, Uluk, Pux Bales Raw cotton: 20000 Mt Cotton.		
Kashkadarya Region Offices	Karshi	Indorama	787,23m ²	Office Complex	NA	Lease & contract deed	Cadaster Document
	Nuristan	Indorama	390m ²				
	Fazli	Indorama	279,41m ²				

294. In addition to the abovementioned facilities, there is a bio laboratory in Mughlon, as well as residential complexes in Karshi, Nuristan and Mughlon.

295. During the site visits in Kashkadarya on October 18-19 and October 26, 2022, the E&S consultants visited the Fazli site (gin for cotton collected by mechanization, warehouse facility), Mughlon site (gin for cotton collected manually, cotton collection point, wheat warehouse not

under operation yet), Nuristan site (cotton collection point, machinery yard, warehouse facility).

296. The entrance to all the visited sites in Kashkadarya region is controlled by security. There are logs maintained for different groups of employees and register the time of entrance to the site and exit. The visitors are also recorded in separate journals. The information on entry/exit is communicated to HR department and is further used for time-based wage calculation.

297. In addition, to ensure the safety of the sites, a number of video surveillance cameras with a 360-degree views are installed throughout the facilities, which enables the proper management of the operations and helps to minimize accidents, as well as prevents crime (stealing the cotton).

298. During the fieldwork, IAL facilities in Fazli, Mughlon and Nuristan were visited and operations were observed, including gins, warehouses, bio laboratory, etc. Photographs of some of the facilities visited are provided in Annex VIII.

Labor

299. Part of the facilities operate seasonally when agricultural works are implemented. The facilities related to ginning start operating right before the cotton collection season starts and are in operation until ginning is completed (gin is operating for 4–6 months a year), and thus most of the employees of gin facilities are also working for a part of the year, usually from November (when the cotton picking is near its completion and ginning starts) and until March, when the ginning is complete. Once the ginning is over, the equipment is shut down and seasonal employees are dismissed, as their seasonal employment contract is over (the majority of these employees will return the next year). Their names and contact details are recorded so that they can be contacted the following year. There's also a limited number of permanent employees in facilities, mostly those responsible for the maintenance of the equipment and administrative work.

300. Vast majority of employees reside in nearby mahallas. IAL is committed to engaging the local population and only for specialized works the personnel from other areas of the country can be invited if such specialists are not available locally. Most of the specialized and mid-managerial staff was engaged in the sector for a long period (most worked for similar facilities before the IAL was established). During informal interviews, employees mentioned that they have sent or brought in person their CVs to IAL, and then once the positions open, they were contacted.

301. During the recruitment process (before finalizing the contract), IAL assesses the technical and health fitness of the candidate to implement the required job, as well as checks the identity documents to ensure that the candidate is at least 18 years old. CVs submitted by candidates under 18 years old are not added to the roster and are not considered. According to IAL's Head of HR, the youngest employee is 21 years old), and IAL strictly verifies the age of their employees to prevent the involvement of minors in any of their operations. No employees looking minor were observed at the sites by E&S consultants, and during informal discussions with employees, it was also reported that minors are not engaged.

302. IAL provides bus service for the employees; the buses follow a certain route and collect and deliver the employees to the facility and take them back after work. IAL operates its own buses. In cotton picking season they also engage external bus companies to ensure that sufficient transportation is available to transport the cotton pickers to the fields and back to their mahalla. At the time of peak operations about 500 buses are engaged by IAL (buses are provided with PPE, water). In the meantime, some of the employees get to the site by their own car or bicycle. In this case, the cost of gas is not reimbursed.

303. The works in the ginning facility are implemented day-round (once the ginning starts it continues non-stop unless there are technical issues with the gin). The work is arranged in three 8-hour shifts. The first work shift starts at 08:00 in the morning and continues till 16:00, the second shift lasts from 16:00 to 24:00, and the third shift extends from 00:00 to 08:00. The minimum rest between shifts is 12 hours. These shifts are established for the employees engaged in ginning and machinery maintenance. The shift schedule for seasonal employees is floating on weekly basis – one week the employee works the first shift, the next week – the second, and the third week – the third, and then the cycle recommences. According to employees, the wages differ for various shifts, evening and night shifts are paid more compared to the day shift. No cases of overtime work were reported by employees during informal discussions. IAL added that gin workers are employed for 42 hours of work per week, and if their working hours exceed this, they are given overtime payment). Employees also confirmed that they have not been engaged for two consecutive shifts. No employees are residing on any of the sites.

304. For the administrative employees, the working week lasts 6 days. The workday starts at 09:00 in the morning and continues till 17:00 from Monday to Friday and from 9:00 to 15:00 on Saturdays.

305. The payment is provided to employees based on the wage specified in their contract and the transfer is made to their bank cards on monthly basis (not later than the 10th day of the following month). The company arranged the provision of a plastic card to each employee, as this allowed to keep the payment process transparent and improved accountability. Employees mentioned no delays with the salary payment and confirmed that they always received their payments in full. The employees confirmed that the requirements of national legislation are followed by IAL in terms of labor issues.

306. During an informal discussion with employees of facilities (especially those engaged in seasonal work), some of them did not remember if they had a copy of the contract at home. Some of the employees were not sure if their wages include any allowances, particularly for transportation and meals. Seasonal employees were not aware of having any insurance and benefits included in their contracts. In the meantime, the employees also mentioned that they can approach their supervisor to request advance payment in case of family issues, however, no such cases were reported among informally interviewed employees. The employees also stated that the days off are not paid, unless they visit the clinic and get a reference from a doctor. The days off for which no reference is available are deducted from their monthly wage, while the days for which the medical reference is available are paid. Employees in Fazli also appreciated the availability of a large clock installed in the gin area, which enables them to easier monitor the time, and follow up with the progress of their shift and time for a lunch break.

Trade union

307. The Trade Union is established in Kashkadarya region. The meeting with the head of the Trade Union was carried out during the audit. According to the head of Trade Union, the Collective Bargaining Agreement was developed in 2020 and IAL employees were provided with an opportunity to become a member of the Trade Union. Not all employees of IAL are members of the Trade Union since the membership fee amounts to 1% of the wage. The Trade Union helps employees with the provision of a special allowance to cover the cost of certain medications, as well as obtain a certificate for vacation in the resort. In addition, the support in case of a family member death and employee wedding and time off is also provided. During the discussion, it was noted that the younger employees without health issues prefer to not pay the membership fee and thus are not very keen to join the Trade Union, while older employees prefer the Trade Union membership due to medical and vacation support. In total, about 1015 employees engaged in

various facilities in Kashkadarya region are members of the Trade Union at the time of the audit. The representative of the Trade Union mentioned that there's a member of the Trade Union dealing with complaints, however he is not aware of details. In the meantime, it was also noted that the Trade Unions is open for a discussion with employees, and they can approach the Trade Union representatives to discuss their concerns and issues at any time. When asked about Trade Unions, the employees mentioned that they mostly approach for questions related to financial support, medical leave, and medical issues, as well as vacation.

Complaints

308. The GRM was functional and grievance boxes were available on all sites. The GRM logs are maintained by grievance redress officers of IAL, who accept grievances in person, via hotline, in writing, and by email, as well as collect the grievances from the grievance boxes. Information on GRM was available in banners on sites, including the details on GRM lodging and resolution.

309. During the informal discussions, the employees mentioned that in case of minor issues they usually address their concerns and requests to their supervisor, who tries to resolve the issues. If it cannot be resolved by the supervisor or is a major issue, then they will consider using the grievance redress mechanism, however, they also added that issues are usually resolved by the supervisors. Few employees were not aware of the location of the grievance box. The grievance box in Fazli facility was located in the staircase area leading to the office and toilets and away from the areas where seasonal employees are usually passing. During informal discussions, the employees noted that their complaints were mostly related to wage calculation (and unclear allowances for the transportation and meals). No harassment or gender-based violence related grievances were reported by employees during informal interviews.

Facilities for employees

310. Facilities available for employees include gender-separated toilets and showers – these are available both in production and in office areas. In addition, dining areas are established in all sites visited in Kashkadarya region.

311. During the discussions with employees, it was noted that no changing rooms are available, and female employees in all visited sites were inquiring if changing rooms can be arranged to allow for more convenient change of clothing and storage of their belongings. The toilet facilities for men in Fazli are much larger than facilities for women, which is explained by a much larger number of men employees (men are mostly engaged in working with equipment). In other areas, the toilet facilities for men and women were of the same size.

312. In Fazli women used the shower as a changing room and for storing their clothes (the shower was not used for its direct purpose), despite there were separate changing rooms established both for men and women (some explained it with absence of hangers in changing room and their availability in shower). In Nuristan, the female employees set up a small changing area in corner of the one of the facilities. In one of the visited areas, the dining room was used for changing their clothes. They also mentioned that their work is not dirty, and they prefer to shower once they get home after work, thus the shower facilities remain unused. In the meantime, the men employees also request to possibly arrange for changing rooms.

313. Separate areas dedicated for dining during the lunch break are established in all sites. In all sites, the dining areas for administrative employees are separate from the common dining areas. Bottled water is available in all dining areas. Tap water is available in some of the dining areas and is used only for sanitary purposes and not for drinking. In Fazli the employees mentioned that they bring the lunch meal from home. Some employees are storing their meals in

the dining area, while others are keeping the meal at their immediate workplace. Lunch break lasts from 1:00 pm to 2:00 pm, however since the dining area is rather small and can't accommodate all the employees at the same time, they dine in smaller groups and spend only part of the break in the dining area. In Mughlon, the employees mentioned that they formed groups of about 30 people, and each member of the group in his/her turn (usually once a month) brings the meal for the whole group. According to employees, the approximate expenses for food comprise about 1.5\$ per person/day. Shelving to store the meals and food items, as well as microwave were noticed in some of the dining areas. None of the dining areas had a fridge or stove, as no option for long-term food storage is currently available. Photographs of the dining areas are provided in Annex VIII.

Health and safety

314. Personal protection equipment is provided to employees in accordance with their work type (complete set of PPE includes shirt and pants, vests, helmets, ear protection, gloves, and goggles, and gin workers are also provided with harness), and was used by some of them at the time of site visit. The employees are provided with seasonal (winter and summer) PPE. The boots were not provided as a part of PPE at the time of the audit but were expected be provided the near future (the personnel noted that they have provided their shoe sizes for procurement of boots). Special PPE and training are provided to workers that deal with chemicals and hazardous materials.

315. According to verbal information, the HSE specialist maintains a log at each site on the provision of PPE to each employee. There is a dedicated area / shelving where the PPE is stored after the work shift. Health and safety specialist is available in each facility and ensures that workers use PPE and carry out their work in accordance with the health and safety requirements.

316. In the meantime, it was noted that cotton collection points are working seasonally, thus there are no permanent HSE employees available there, however, the HSE employees from nearby facilities regularly visit the cotton collection points and ensure adherence to HSE requirements.

317. Once the worker is engaged, an induction is provided before the commencement of work. During the works, the training is also provided on a variety of topics, including safety requirements, and provision of first aid. The visitors of the facilities are provided with a brief health and safety orientation instruction and PPE (including vest and helmet) and sign in the log confirming the provision of PPE and in the second log confirming the provision of health and safety orientation. The PPE provided to visitors is returned after the completion of the visit.

318. Banners with health and safety instructions were available in numerous areas (both in manufacturing and administrative areas) at each visited site. Banners include information and guidance in both Uzbek and English languages and cover the topics on fire safety, provision of first aid, safety tips for various operations (e.g., forklift drivers, etc.), and safe work conditions. Photographs of some of the banners observed at the sites in Kashkadarya are presented in the Annex VIII.

319. During the site visits the employees overall were using PPE, however in some areas prone to significant noise impacts it was noticed that some of the employees do not wear proper ear protection (plugs). In a few cases, it seemed that employees were not using proper uniforms (shirts, etc.). In addition, in a few other cases it was noticed that some employees do not wear helmets properly. Photographs are provided in Annex VIII.

320. To further ensure the safety of the employees, special yellow lines were drawn in most areas marking potentially dangerous areas for employees (employees are not expected to step into the areas located behind yellow lines). In addition, special banners with safety instructions are placed in corners of the building and low-visibility areas to ensure slower driving speed and full attention of drivers to avoid any incidents. Photographs are provided in Annex VIII.

321. No potential safety risks were observed during the site visit, which may easily lead to an incident. The areas were free of obstructions, the stairs were well secured and provided with anti-spilling cover and guardrails were installed.

322. All of the employees are provided with annual medical checkups or on-site checks, however, the staff that deals with sanitary-hygienic works (cleaners, etc.) are provided with semi-annual medical checkup. The nurse in the facility maintains the medical record book for every worker and includes the records once the employees pass medical checkups in their local medical institutions. At the time of recruitment, the reference on fitness for work (this is the standard reference required in accordance with national legislation) is required to be provided by the prospective employees. This reference is provided by the candidate's local medical institution following a checkup.

323. Medical personnel (paramedic) are available on the site 24 hours a day during gin operation. During the off-season period the medical personnel operates in 50% capacity and only on working days (daytime). Medical personnel also operate in shifts similar all most of the employees. The medical station includes all relevant medicines and supplies for the provision of first aid. However, in case of major injuries, following the provision of first aid, the employee is required to be taken to the nearby hospital for further medical assistance and treatment.

324. Paramedics at all sites maintain the lists of available medication and supplies, to make sure that sufficient medicine and supplies are available and monitor the status of their expiry. First aid kits are available in the medical station and in administrative area of the facilities. Photographs are provided in Annex VIII.

325. They also undertake the daily check-up of drivers (blood pressure and breathalyzer test to check blood alcohol concentration) and maintain the log with appropriate records (separate record books are maintained for various groups of employees). In addition, paramedics also deliver training on the provision of first aid, prevention of occupational diseases, as well as training on healthy living for the female staff.

326. Major incident with a lethal outcome due to employee negligence (based on outcome of the investigation by relevant state authorities) was registered in the Mughlon facility in April 2022. Following this incident, the IAL followed up with the modernization of this equipment by adding a special cover encasing the rotating part to incident prevent reoccurrence. The support by the company was provided to the family of the deceased employee in the amount of 20,000 USD, in addition to 25,000 USD provide by insurance. Moreover, the household receives the monthly allowance for the loss of a breadwinner until the minor children of the deceased reach 18 years.

327. Other rare incidents include minor cuts and scratches and are treated on-site by paramedics. All the employees are aware of the location of medical station and in case of any issue requiring medical support they approach the paramedic on duty.

328. Strict and robust fire safety measures and alarms are enforced at all the sites. Fire alarms are available throughout facilities and a fire safety personnel is available on-site year-round

(during the off-season period the fire safety personnel is available at a reduced capacity of 50%).

329. Fire extinguishers and other firefighting equipment are also available throughout facilities, particularly in areas where work might lead to ignition and fire. All the fire extinguishers and firefighting kits are clearly marked, including the note with the information on when the equipment was last inspected. Sites are also equipped with spill kits. Photographs are provided in Annex VIII.

330. Evacuation plans were posted in all sites. Exits were marked, the areas were well lit.

COVID-19

331. Sanitizers are available for all the workers on site. Masks are not required for protection from COVID-19 (masks were worn by most employees for protection from dust, and while entering the warehouse with chemicals). PCR testing in Uzbekistan is free of charge. No cases of COVID-19 were reported. Overall, IAL is following the procedures currently in force in Uzbekistan.

Air pollution

332. The emissions associated with the IAL operations in Kashkadarya include nitrogen oxides (NO_x) from the combustion of natural gas and diesel in boiler, driers, and pumps. In addition, carbon monoxide (CO) is produced when incomplete combustion takes place.

333. Dust, including particulate matter will also be associated with the farming and processing of cotton. Additional dust can be generated during land leveling work, as well as emissions can occur during the spraying of fertilizers and pesticides. The potential impact of exhaust gas emissions from cars, diesel vehicles, and mobile diesel water pumps will be limited to the areas in proximity to fields and connection roads during fieldwork and crop watering.

334. The internal roads within facilities are mostly paved or covered by gravel to reduce the generation of dust. In some areas covered by the gravel during the visit, the concrete pavement will be installed in the future. The field roads are earth-based and limited dust is generated during the movement of heavy agricultural equipment. The cotton bales are covered with polyethylene covers to minimize the dust, and wheat collection and most of the cotton collection undertaken by IAL is mechanized.

335. With respect to the land leveling, the representative of IAL dealing with land leveling mentioned that limited dust is generated during their works, however, it strongly depends on the strength and direction of the wind in that specific day, and the team responsible for land leveling tries to move and work in another area if the wind is blowing towards a nearby community).

336. All the vehicles and machinery used on the site are owned by IAL and IAL carries out their regular maintenance and repairs. At the time of the site visits, the vehicles, equipment, garage and repair areas looked well-maintained, and no black smoke or unnecessary idling equipment was observed.

Water pollution

337. The facilities are not connected to centralized water and wastewater system. The water tanker trucks are delivering the water to IAL facilities to fill/refill the large water tanks installed in the sites. The economy of water is highly encouraged among employees.

338. Storm drains to remove rainwater were observed on the sites. The drains were also

installed in the car wash area. In Fazli the car wash area is paved with concrete and also used for car maintenance. Vehicles and machinery are cleaned with a pressure washer to minimize water consumption.

339. Handwashing, toilet, and shower facilities, as well as car wash areas are connected to wastewater collection reservoirs made of concrete, and wastewater is periodically pumped out into tanker trucks and removed from the site by the specialized contractor(s). No water recycling or treatment of wastewater is undertaken on the sites.

340. Wastewater generated during the car wash is collected in a separate reservoir. And wastewater generated during the mixing of chemicals and washing containers used to store chemicals is collected in another reservoir. All reservoirs are open and made of concrete. The reservoir areas are fenced to restrict access and avoid potential safety risks. According to IAL, the wastewater is removed periodically (on as needed basis) by special tanker trucks operated by the relevant state entity, or a contractor approved by state entity. IAL continuously monitors wastewater storages to ensure that there are no additional uncontrolled releases of any hazardous liquids. Photographs of car wash and refueling areas are provided in Annex VIII.

341. With respect to the cotton and wheat growing in the fields, it was noted that Talimarjan Reservoir filled by Amu Darya river is the main water source for irrigation of the fields in Kashkadarya region. The irrigation system includes the main water draw-off facilities, main, distribution and watering canals, watering machinery and equipment, and lock-weir and drainage networks. According to IAL, the amounts of fertilizers and pesticides application in the fields are calculated to produce the best crop yield with minimum application of the chemicals and are within the limits recommended by producers. This measure is intended to reduce wash-out of fertilizers and pesticides into the drainage canals, and to minimize the impact on the recipient water bodies.

342. Amu Darya river floodplain is located more than 50 km away from the IAL sites and is therefore not regarded as potential source of flooding. The risk of surface runoff is negligible because annual precipitation is approximately 200-300 mm.

Noise

343. The main sources of noise during agricultural works will be running machinery, e.g., levelers, combine harvesters, and other machines used in the fields, as well as noise from fields leveling, canals cleaning and reconstruction are seasonal and limited to daytime and are not causing any significant impact on local communities, as the activities will be conducted in or along the fields. This was also confirmed during the discussions the participants from nearby communities. No vehicles / machinery with revving engines were observed on sites.

344. Noise impact is mostly associated with the operation of gins. IAL confirmed that all equipment is regularly serviced and maintained so that the effectiveness of any noise mitigation incorporated within the design of all components does not significantly decrease over the operational life of the items. Gins are located within closed hangars, which is minimizing the noise impact on the nearby areas of the site. And while ginning facilities are located in remote areas to avoid any impacts on nearby communities / businesses, the mitigation measures are provided by IAL to minimize noise impacts on the employees working close to the sources of noise. The employees are provided with hearing protection equipment (ear plugs). The E&S consultants during the visits to gins were also provided with ear plugs. During informal discussions at the time of the site visit to facilities located in Kashkadarya region, some of the employees working in noisy areas mentioned that ear protection is not comfortable. Some workers claimed that the plugs are causing discomfort, the others noted that they hinder proper communication with colleagues. In

the meantime, during informal discussions, the personnel engaged in ginning operations mentioned that they do have any complaints related to noise.

Service and storage areas

345. Machinery service areas are established at all visited sites (e.g., to refuel machinery, change oil, etc.), since the machinery is owned by IAL, the maintenance is carried out by the specialized unit in the facility. Refueling for the machinery (only diesel) is done both at the facility, where the tanks for fuel storage are located in dedicated areas, as well as in the field where refueling is undertaken through the tank trucks delivering and pumping fuel for the vehicles / machinery working at the fields. The vehicles running on gas (petrol) and natural gas are fueled at commercial gas stations located outside of IAL facilities. The photographs of machinery storage and service areas are provided in Annex VIII. The oils are also stored in a separate area in the warehouse.

346. The chemicals (concentrated fertilizers and herbicides) are stored in the warehouse facilities. For the release of a chemical, a special electronic form is submitted to the warehouse and based on this request the specially trained personnel (using relevant PPE) is accessing the storage area to load the required amount/volume of chemical and take it out of the warehouse. In Fazli facility, a special open-air paved area is established to mix and prepare the chemicals. Once ready, the chemicals are located in dedicated vehicles and transported to the areas of application.

347. For liquid chemicals the water stored in special tanks is used. The mixing is undertaken in a separate tank and then pumped into the dedicated tank machines for transportation of the chemicals to the tractors or to the airplane used for spraying.

348. Entrances to the storage areas (separate entrances for personnel and vehicles) are clearly marked and the signs for vehicles are posted sufficiently high to allow the drivers to properly see them as well.

349. The same warehouse / storage area includes various sections for the storage of different supplies. There are areas for chemicals, spare parts, and other items. The storage also includes food grade cotton oil, which is usually provided to cotton pickers as a reward (1 liter of oil is provided to each cotton picker). Photographs of the storage areas in Fazli are provided in Annex VIII.

350. Dedicated spill kits used for absorbing oil and chemical spills were available in the storage area. The photographs of the spill kit and its contents are provided in Annex VIII.

351. During the site visit, no spills or spills of oils and chemicals or fuel leaks were observed in the storage area. In the meantime, a few oil spots were noticed in the site area. The photographs of the oil spills observed during the site visits are provided in Annex VIII.

Waste management and housekeeping

352. Labeled containers/areas were provided in the facilities to facilitate recycling and waste segregation was observed. The waste containers are located in paved areas. See the photographs in Annex VIII.

353. Waste containers are placed in various areas of the sites. In Mughlon, the construction of a new fueling station (relocation of existing fuel station) and some construction waste and litter were observed placed on bare ground.

354. According to the ESG team representatives, various types of waste are removed from the site by specialized contractors and disposed of in approved locations. The removal is done based on IAL's request (no specific frequency for waste removal is set and it depends upon how full the disposal area/container is with the waste).

355. Separate areas are arranged for the storage of used oil drums and containers. During the site visits the drums and containers were placed on the paved areas, however, in a few places the spills were observed. Leftover chemicals are collected in the open concrete reservoirs and removed by specialized contractor.

356. Medical waste is periodically collected and removed by a specialized contractor. Types of medical waste collected at IAL facilities include cotton used for dressing, syringes, and glass bottles/vials. Once in a while this can also include expired medicine.

Recommendations:

- Considering that the head of HR noted that employees are provided with their timesheet and wage calculation by SMS, it is recommended that the information on allowances included in the wage can be also made clear at that time.
- Establish gender separate change rooms with shelving for employees to store their clothes and belongings during the work shift.
- Revisit locations of the grievance boxes to ensure that they are located in common and unmonitored areas. In Fazli, establish additional grievance box in the areas common for seasonal employees, to ensure they can fully benefit from GRM opportunities.
- Use of ear protection by the personnel working in noisy areas shall be mandatory. Presence of personnel not directly involved in cotton ginning works in rooms with noisy equipment shall be avoided, to minimize their exposure to risks of potential hearing damage. Workers exposed to noise shall be subject to regular medical examinations for early identification.
- Remove litter from site, ensure its disposal on approved location(s).
- To prevent spills, metal trays to be placed under the vehicles and machinery during the oil change, to allow capturing the used oil without spilling it on the gravel or pavement.
- Review the GRM to include clause prohibiting retaliation against employees who lodge grievances and includes options for providing feedback to anonymous complaints. Ensure that employees are aware of options of anonymous grievances.

6.3 OBSERVATIONS MADE DURING THE SITE VISITS TO SIRDARYA REGION

357. The information of IAL's facilities in Sirdarya region is provided in table 17 below.

Table 17. IAL facilities in Sirdarya region

Office and Facilities	Geographical Location	Owner of the warehouse/ Storage facilities and Year Established	Total Area of Facility	Zoning Classification*	Type of Commodity stored and Capacity per warehouse	Rights over property	Documents to support rights over property/ proof of ownership
Warehouse/ Storage	Guliston (Satellite)	Indorama Guliston Satellite Farm Depot	7,17 ha	Private warehouse	Fertilizer = 2800 MT	Lease & contract deed	Cadaster Document
					Pesticide = 0		
					Mobile oil = 0		

Office and Facilities	Geographical Location	Owner of the warehouse/ Storage facilities and Year Established	Total Area of Facility	Zoning Classification*	Type of Commodity stored and Capacity per warehouse	Rights over property	Documents to support rights over property/ proof of ownership
					Diesel Fuel = 40 MT		
					Cotton for sale storage capacity = 5600 MT		
					Food Grain = 7000 MT		
	Sharif Rashidov	Indorama Farm Depot Sh. Rashidov (2021)	23 ha (Including hay bale storage Yard)		Fertiliser = 8000 MT	Lease & contract deed	Cadaster Document
					Pesticide = 50000 Ltr		
					Mobile oil = 30000 Ltr		
					Diesel Fuel = NA		
					Cotton for sale storage capacity = NA		
					Food Grain = 32000 MT		
	Toirov	Indorama Farm Depot A. Toirov (2021)	8.4 ha		Fertiliser = 8000 MT	Lease & contract deed	Cadaster Document
					Pesticide = 50000 Ltr		
					Mobile oil = 30000 Ltr		
					Diesel Fuel = NA		
					Cotton for sale storage capacity = NA		
					Food Grain = 32000 MT		
Ginning	Istiqlol	Indorama Istiqlol Gin 2021	11.4 ha	Complex	WH1: Cotton fibre bales 1950T, WH2: Linter bales: 200 T WH3: Cotton Seed: 400 T Open storage: Raw cotton bales: 7500T		
Sirdarya Region Offices	Guliston		40x16M	Office Complex	NA	Lease & contract deed	Cadaster Document
	Sh. Rashidov		30x10M				
	Istiqlol Gin		18x7M				
	Istiqlol Gin		34x7M				
	Toirov		30x10M				

358. In addition to abovementioned facilities, there is a bio laboratory in Temir Malik, as well as residential complexes in Gulistan, Sharif Rashidov, and Oqoltin.

359. During the site visits in Sirdarya on October 20-21, 2022, the E&S consultants visited the facilities located in Guliston (storage facilities), Sharif Rashidov (storage facilities), Toirov (storage facilities), Istiqlol (ginning facility).

360. The entrance to all the visited sites in Sirdarya region is controlled by security. There are logs maintained for different groups of employees and register the time of entrance to the site and exit. The visitors are also recorded in separate journals. The information of entry/exit is communicated to HR and is further used for time-based wage calculation. In Sharif Rashidov the biometric recognition system was installed, and the E&S consultants were informed that the workers are photographed on entry and exit and the facial recognition system logs the employee's name and his/her entry/exit times. These entry/exit times are automatically transmitted to the HR department.

361. In addition, to ensure the safety of the sites, a number of video surveillance cameras with a 360-degree view are installed throughout the facilities, which enables the proper management of the operations and helps to minimize accidents, as well as prevents crime (stealing the cotton).

362. The photographs made at IAL facilities in Sirdarya region are provided in Annex IX.

Labor

363. Similar to facilities in Kashkadarya, part of the facilities Sirdarya also operate seasonally, when agricultural works are implemented. The facilities related to ginning start operating right before the cotton collection season starts and are in operation until ginning is completed (gin is operating for 4-4.5 months a year), and thus most of the employees of gin facilities are also working for a part of the year, usually from November (when the cotton picking is near its completion and ginning starts) and until March, when the ginning is complete. Once the ginning is over, the equipment is shut down and seasonal employees are dismissed since their seasonal employment contract is over (the vast majority of these employees will return the next year). There's also a limited number of permanent employees in facilities, mostly those responsible for the maintenance of the equipment and administrative work.

364. Vast majority of employees reside in nearby mahallas. IAL is committed to engaging the local population and only for specialized works the personnel from other areas of the country can be invited if such specialists are not available locally. Most of the specialized and mid-managerial staff was engaged in the sector for a long period (most worked for similar facilities before the IAL was established). In the meantime, compared to Kashkadarya, in Sirdarya region IAL faces complications in finding employees, due to the lower density of population in the region resulting in the limited availability of specialists. In addition, proximity to Tashkent also encourages local professionals to seek employment in the capital resulting in even more limited availability of local specialists.

365. During the recruitment process (before finalizing the contract), IAL assesses the technical and health fitness of the candidate to implement the required duties, as well as checks the identity documents to ensure that the candidate is at least 18 years old. According to IAL, they strictly verify the age of their employees to prevent the involvement of minors in any of their operations. No employees looking minor were observed at the sites by E&S Consultant, and during informal discussions with employees, it was also reported that minors are not engaged.

366. Bus service is available for IAL employees. The bus follows a certain route and collects and delivers the employees to the facility and take them back after work. IAL operates its own fleet of buses. During cotton picking season, IAL also engages external bus companies to ensure that sufficient transpiration is available to transport the cotton pickers to the fields and back to their mahalla. In the meantime, some of the employees get to the site by their own car or bicycle. In this case, the cost of gas is not reimbursed.

367. The gin operation at various sites in Kashkadarya and Sirdarya is similar, and so are the working hours and other arrangements. The works in the gin facility are implemented day-round (once the ginning starts it continues non-stop unless there are technical issues with the gin). The works are arranged in three 8-hour shifts. The first work shift starts at 08:00 in the morning and continues till 16:00, the second shift lasts from 16:00 to 24:00, and the third shift extends from 00:00 to 08:00. The minimum rest between shifts is 12 hours. These shifts are established for the employees engaged in ginning and machinery maintenance. The shift schedule for seasonal employees is floating on weekly basis – one week the employee working on the first shift, the next week – on the second, and on third week – the third, and then the cycle recommences. According to employees, the wages differ for various shifts, evening and night shifts are paid more. No cases of overtime work were reported by employees during informal discussions. Employees also confirmed that there were no cases of them being engaged for two consecutive shifts. No employees are residing on any of the sites. For the administrative employees, the working week lasts 6 days. The workday starts at 09:00 in the morning and continues till 17:00 from Monday to Friday and from 9:00 to 15:00 on Saturdays.

368. The payment is provided to employees based on the wage specified in their contract and the transfer is made to their bank cards on monthly basis. The company arranged the provision of a plastic card to each employee, as this allowed to keep the payment process transparent and improved accountability. Employees mentioned no delays with the salary payment and confirmed that they always received their payments in full. In the meantime, workers also reported that from time to time they have internal conflicts regarding their pay, as when they discuss their wages it becomes apparent that some of them negotiated better rates at the time of hiring. Some workers also noted that they approached HR for resolution of this issue and equalization of payments for the same type of work.

369. During an informal discussion with employees of facilities (especially those engaged in seasonal work), some of them did not remember if they had a copy of the contract at home. Some of the employees were not sure if their wages include any allowances, particularly for transportation and meals. Seasonal employees were not aware of having any insurance and benefits included in their contracts. In the meantime, the employees also mentioned that they can approach their supervisors to request advance payment in case of family issues, however. no such cases were reported. The employees also stated that the days off are not paid, unless they visit the clinic and get a reference from a doctor. The days off for which no reference is available are deducted from their monthly wage, while the days for which the medical reference is available are paid. IAL assures that sick leave and overtime payments are provided in accordance with the requirements of local labor legislation.

370. With respect to the cotton collection, both IAL and mahallas emphasized the issue of limited availability of the cotton pickers. Here too, IAL works both through khokimyats and mahallas to engage cotton pickers (only direct farming is undertaken in Syrdarya and cotton pickers are engaged by IAL). During the meeting with mahalla, the local residents mentioned that the land plots of IAL are rather small and not very productive, thus they prefer to work for farmers

with larger plots of better productivity, as they are able to collect more crops in the given time and get paid more.

Trade union

371. A Trade Union was established in Sirdarya. Based on the information acquired through web search, On March 19, over 200 employees of Indorama Agro in the Syrdarya region of Uzbekistan held a meeting to establish an independent trade union, “Xalq Birligi” (People’s Unity). It is the first time when workers in Uzbekistan have formed a trade union outside of the state-controlled Federation of Trade Unions. During the audit a meeting with the head of Trade Union in Sirdarya was requested, however it was not arranged. According to information provided by IAL, not all employees of IAL are interested to become a member of the Trade Union, since the membership fee amounts to 1% of the wage. The Trade Union helps employees with the provision of a special allowance to cover the cost of certain medicines, as well as obtain a certificate for the vacation in rest house. The younger employees without health issues prefer to not pay the membership fee, and thus are not very keen to join the Trade Union, while older employees prefer the Trade Union membership due to medical and vacation support. In total, at the time of the audit, about 310 employees engaged in various facilities in Sirdarya region were members of the Trade Union.

Complaints

372. The GRM was functional and grievance boxes were available on all sites. The GRM boxes were marked red, and a few employees were mistaking all other red boxes as those for grievances. For example, in one of the sites a red box with safety data sheets was mistaken as a grievance box by a few employees, despite the box with SDS being labeled as such) The GRM logs are maintained by grievance redress officers of IAL, who accept grievances in person, via hotline, in writing, and by email, as well as collects complaints from grievance boxes. Information on GRM is available in banners on sites, including the details on GRM lodging and resolution.

373. During the informal discussions, the seasonal employees were in general aware about GRM, however a few of them are hesitant to lodge a grievance. In their opinion, aside from using GRM, it is better to address their concerns and requests to their supervisor, who can also try to resolve the issues. They also added that their issues are usually resolved by supervisors. During informal discussions, the employees noted that their questions were mostly related to wage calculation (and unclear allowances for transportation and meals). No harassment or gender-based violence related grievances were reported by employees during informal interviews. Several interviewed workers were aware of the GRM hotline number and reported that they have called it to clarify the issues related to their wage.

374. During the discussion in mahalla Birlik in Sardoba district, it was noticed that the GRM poster is also available on the information board.

Facilities for employees

375. Facilities available for employees include gender-separated toilets and showers – these are available both in production and in office areas. In addition, dining areas are established in all sites visited in Syrdarya region. Photographs are provided in Annex IX.

376. During the informal discussions with employees, they complained about the unavailability of changing rooms and noted that they have to repurpose other areas to change their clothes and store them. In particular, at one of the sites, the dining room was used as a change room, and some wooden posts with nails were brought there, so employees can hang their clothing items.

377. In addition, it was noted that dining areas are quite not-comfortable , with insufficient chairs leaving part of the employees standing during their lunch break. It was also mentioned that the table is small, so there's no sufficient room to place their food, and comfortably each lunch. Moreover, the availability of shelving allowing for proper storage of the food was emphasized, as apparently on one of the sites a cat is frequenting to the dining area and stealing the meal. Lunch break lasts from 1 pm to 2 pm. The employees bring lunch from home in turns (when the turn comes, each person brings meals for 15-20 people). In some of the areas, no tap water (used for sanitary purposes only) was available and bottled water was used. In Istiqlol the dining area included the microwave.

378. The dining area used by men (this room is also used as a changing room). Women prefer to dine in another room located by the entrance. Some photographs are in Annex IX.

379. In addition, cleaning staff also mentioned that in Toirov no storm drains are available and large areas are paved, which leads to the water pooling after the rain and when water is used on paved areas, and they have to swipe the water by hand.

380. Residential complex. The one-story apartment buildings for expat and visiting employees was built by IAL in Sh. Rashidov and Istiqlol sites. The apartments are equipped with sanitary facilities and kitchens; there's an on-site laundry as well as a cook and a cleaner. During the visit, it was confirmed that the expat employees were residing there.

Health and safety

381. Personal protection equipment is provided to employees in accordance with their work type (complete set of PPE includes shirt and pants, vests, helmets, ear protection, gloves, and goggles, and gin workers are also provided with harness), and was used by some of them at the time of site visit. The employees are provided with winter and summer sets of uniform. Current PPE does not include boots, but workers mentioned that they expect to get the boots in the future as well (at the time of the audit, IAL was planning to provide boots in near future).

382. The log on the provision of PPE to each worker is maintained by the HSE specialist. PPE is provided based on the work duties. Special PPE is provided to the workers that deal with chemicals and hazardous materials. A dedicated storage for PPE was arranged. With respect to the training, it was noted that an induction is provided to the workers just after recruitment, followed by training provided during the work.

383. The visitors coming to the site get a brief orientation instruction, they get the PPE (including vest and helmet) and sign in the log regarding the provision of PPE and then in the second log regarding the provision of safety orientation. The PPE used by visitors is returned after the completion of the visit.

384. During the site visits, it was observed that in general the workers were using PPE, however no ear protection equipment was observed. The ear plugs observed on some of the workers in Kashkadarya sites, were not observed on any of the workers in Syrdarya region. The PPE is provided once per season (2 times per year). There is a timeline for each PPE and uniform, some of them are used till inapplicable, if required helmet band or goggles band can be changed. In addition, special eye wash equipment was observed on the site in Rashidov).

385. Banners with health and safety instructions were available in numerous areas (both in manufacturing and administrative areas) at each visited site. Banners include information and guidance in both Uzbek and English languages and cover topics on fire safety, provision of first

aid, safety tips for various operations, and safe work conditions (in a few cases banners were in English only). A training room was also established and included banners with first aid and health and safety instructions. Photographs of some of the banners observed at the sites in Syrdarya are demonstrated in Annex IX.

386. No potential safety risks were observed during the site visit, which may easily lead to an incident. The areas were free of obstructions and well-lit.

387. All of the employees are provided with annual medical checkups or on-site checks, however, the staff that deals with sanitary-hygienic works (cleaners, etc.) are provided with semi-annual medical checkup. The nurse in the facility maintains the personal medical record book for every worker and includes the records once the employees pass medical checkups in their local medical institutions. At the time of recruitment, the reference on fitness for work (this is the standard reference required in accordance with national legislation) is required to be provided by the prospective employees. This reference is provided by the candidate's local medical institution following a checkup.

388. Medical personnel (paramedic) are available on the site 24 hours a day during gin operation. During the off-season period the medical personnel is available only on working days (daytime). Medical personnel also operate in shifts similar all most of the employees. The medical station includes all relevant medicines and supplies for the provision of first aid. However, in case of major injuries, following the provision of first aid, the employee is required to be taken to the nearby hospital for further medical assistance and treatment.

389. Medical personnel carry out the daily check-ups of drivers (blood pressure and breathalyzer test to check blood alcohol concentration) content and maintain the log with appropriate records (separate record books are maintained for various groups of employees). In addition, paramedics also deliver training on the provision of first aid, prevention of occupational diseases, as well as training on healthy living for the female staff. During informal interviews, the employees remembered training on health and safety, however, were not sure about training on first aid. According to a discussion with medical staff, no major incidents took place in Syrdarya facilities. Incidents includes minor cuts and were treated on site by medical personnel. First aid kit is also available in the office area. Some photographs are provided in Annex IX.

390. Strict and robust fire safety measures and alarms are enforced at all the sites. Fire alarms are available throughout facilities and fire safety personnel are available on site at any time year-round (during the off-season period the fire safety personnel is available at a reduced capacity of 50%). Cotton collection points are working seasonally thus there are no permanent HSE employees, however, the HSE employees from nearby facilities regularly visit the CCPs and ensure adherence to HSE requirements.

391. Fire extinguishers and other fire-fighting equipment are also available throughout facilities, particularly in areas where work might lead to ignition and fire. All the fire extinguishers and firefighting kits are clearly marked, including the note with the information on when the equipment was last inspected. Sites are also equipped with spill kits. The firefighting and spill equipment was clearly marked, and the information on when the kit was last inspected was noted on the kit. Evacuation plans were posted in the buildings. Photographs are provided in Annex IX.

COVID-19

392. Sanitizers re available for all the workers on site. Masks are not required for protection from COVID-19 (masks were worn by most employees for protection from dust, and while entering

the warehouse with chemicals). PCR testing in Uzbekistan is free of charge. Overall, IAL is following the procedures currently in force in Uzbekistan.

Air pollution

393. During site visits it was noted that the primary emissions associated with the IAL operations include the nitrogen oxides (NOx) from the combustion of natural gas and diesel. In addition, the carbon monoxide (CO) is produced when incomplete combustion takes place. The emissions from production facilities and mobile sources are calculated and respective payment is made by IAL to the relevant state entity.

394. Dust, including particulate matter will also be associated with the farming and processing of cotton. Additional dust can be generated during land leveling work, as well as emissions can occur during spraying of fertilizers and pesticides. Potential impact of exhaust gas emissions from cars, diesel vehicles, and mobile diesel water pumps will be limited to the areas in proximity to fields and connection roads during fieldwork and crop watering.

395. The internal roads within facilities are mostly paved or covered by gravel to reduce the generation of dust. In some areas covered by the gravel during the visit, the concrete pavement will be installed in the future. The field roads are earth-based and limited dust is generated during the movement of heavy agricultural equipment. The cotton bales are covered with polyethylene covers to minimize the dust, and wheat collection and most of the cotton collection undertaken by IAL is mechanized.

396. With respect to the land leveling, the representative of IAL dealing with land leveling mentioned that limited dust is generated during their work, however, it strongly depends on the strength and direction of the wind on that specific day, and the team responsible for land leveling tries to move and work in another area if the wind is blowing towards a nearby community).

397. All the vehicles and machinery used on the site are owned by IAL, and IAL carries out their regular maintenance and repairs. At the time of the site visits, the vehicles, equipment, garage, and repair areas looked well-maintained, and no black smoke or unnecessary idling equipment was observed.

Water pollution

398. The facilities are not connected to centralized water and wastewater. The water tanker trucks are delivering the water to IAL facilities to fill/refill the large water tanks installed in the sites. The economy of water is highly encouraged among employees.

399. It shall be also noted that during the site visit ongoing works on drilling a well were observed in Istiqlol, Syrdarya region. The water is expected to be used in case of fire (as supplemental water source). IAL shall obtain the special water use permit for this well.

400. Storm drains to remove rainwater were observed on all the sites, except Istiqlol. The drains are also installed in the car wash area. The car wash and maintenance areas are paved. Vehicles and machinery are cleaned with a pressure washer to minimize water consumption.

401. Handwashing, toilet, and shower facilities, as well as car wash areas are connected to wastewater collection reservoirs made of concrete, and wastewater is periodically pumped out into tanker trucks and removed from the site by a specialized contractor(s). No rainwater harvesting, water recycling or treatment of wastewater is undertaken on the sites (according to IAL, there's no worthwhile rain for rainwater harvesting).

402. Wastewater generated during the car wash is collected in a separate reservoir. Wastewater generated during mixing of chemicals and washing containers used to store chemicals is collected in another reservoir. All reservoirs are open and made of concrete. The reservoir areas are fenced to restrict access and avoid potential safety risks. The wastewater is removed periodically (on as needed basis) by a special tanker truck operated by the relevant state entity, or a contractor approved by state entity.

Noise

403. The main sources of noise during agricultural works will be running machinery, e.g., levelers, combine harvesters, and other machines used in the fields, as well as noise from field leveling, canals cleaning, and reconstruction, are seasonal and limited to daytime and are not causing any significant impact on local communities, as the activities will be conducted in or along the fields. This was confirmed during the discussions with the participants from nearby communities. No vehicles / machinery with revving engines were observed on sites.

404. Noise impact is mostly associated with operation of gins. IAL confirmed that all equipment is regularly serviced and maintained so that the effectiveness of any noise mitigation incorporated within the design of all components does not significantly decrease over the operational life of the items. Gin is located within closed hangars, which is minimizing the noise impact on the nearby areas of the site. And while ginning facilities are located in remote areas to avoid any impacts on nearby communities / businesses, the mitigation measures are provided by IAL to minimize noise impacts on the employees working close to the sources of noise. The employees are provided with hearing protection equipment (ear plugs). The E&S consultants during the visits to gins were also provided with ear plugs. During the site visit to gin in Istiqlol, E&S consultants noticed that the employees working in noisy areas were not using ear protection. Some workers claimed that the plugs are causing discomfort, the others noted that they can't communicate and hear their colleagues. In the meantime, during informal discussions, the personnel engaged in ginning operations at the time of the informal discussions carried out as a part of the audit mentioned that they do not have any complaints related to noise.

Service and storage areas

405. Machinery service areas are established at all visited sites (e.g., to refuel machinery, change oil, etc.), since the machinery is owned by IAL, the maintenance is carried out by the specialized unit in the facility. Refueling station for the machinery (only diesel) was in process in Oqoltin.

406. Entrances to the storage areas (separate entrances for personnel and vehicles) are clearly marked and the signs for vehicles are posted sufficiently high to allow the drivers to properly see them as well. Within storage areas, separate sections are established for storing supplies, and spare parts. The chemicals and oils are also stored in dedicated areas in the warehouse visited in Istiqlol. Dedicated spill kits used for absorbing oil and chemical spills were available in the storage area. The photographs of machinery storage and service areas are provided in Annex IX.

407. During the site visit, no spills or spills of oils and chemicals or fuel leaks were observed in the storage area.

Waste management and housekeeping

408. Waste separation was carried out and waste containers were installed in all visited facilities. In the meantime, some of the containers were missing clear markings of the type of waste they were intended for. Most of the waste containers were located in paved areas, however,

in a few cases, the containers were placed on bare ground. See the photographs in Annex IX.

409. Used oil drums were located in dedicated areas on wooden platforms located on the ground covered with gravel/sand (not on the impermeable surface). In Toirov, the waste collection area for chemical packaging and used containers was also observed. The area for the collection of used chemical containers was not paved/covered and some spills were noticed. No spill kits were observed in these areas.

410. In the meantime, a few oil spots and litter were noticed in site area. The photographs of made during the site visits are provided in Annex IX.

Recommendations:

- Considering that the head of HR noted that employees are provided with their timesheet and wage calculation by SMS, it is recommended that the information on allowances included in the wage can be also made clear at that time.
- Establish gender separate change rooms with shelving for employees to store their clothes and belongings during the work shift. Consult employees on the options of arranging the changing rooms prior to making a final decision.
- Improve dining areas to provide shelving for food storage. Animals access to dining areas shall be strictly prohibited.
- Use of ear protection by the personnel working in noisy areas shall be mandatory. Presence of personnel not directly involved in cotton ginning works in rooms with noisy equipment shall be avoided, to minimize their exposure to risks of potential hearing damage. Workers exposed to noise will be subject to regular medical examinations for early identification.
- Ensure all the posters are available in local language.
- Remove litter from site, ensure its disposal on approved location.
- To prevent spills, metal trays to be placed under the vehicles and machinery during the oil change, to allow capturing the used oil without spilling it on the gravel or pavement.
- Ensure availability of spill kits in the refueling area, and on the tracks that deliver diesel to the machinery working in the fields.
- Review the GRM to include clause prohibiting retaliation against employees who lodge grievances and includes options for providing feedback to anonymous complaints. Ensure that employees are aware of options of anonymous grievances.
- In Toirov consider establishment of storm drains.
- In Istiqlol obtain all required E&S documents for the well.

6.4 OBSERVATIONS MADE DURING DISCUSSIONS WITH CONTRACT FARMERS AND COTTON PICKERS DURING THE VISITS IN KASHKADARYA REGION

411. Informal discussions were carried out during visits to the fields with the farmers engaged in cereal and cotton growing, as well as with the group leaders and cotton pickers. The photographs made during the visits are provided further in this section.

Discussions with contract farmers

412. The farmers contacted for informal discussion have contracts with IAL since 2018 and are both growing cotton, they also grow wheat in accordance with the contract with another cluster.

413. The contracts are signed for one-year period, in December of the year for the harvest to be collected during the following year. The farmers confirmed the availability of the contract,

however, noted that they are not fully aware of all the clauses, since at the time of the audit it's been almost a year since the contract signing and they are not very versant in legal language.

414. Theoretically farmers are allowed to work on their own and sell their produce at the end of the season or work with the cluster of their choice, however in reality it's a very complicated process and they will not consider it in order to maintain their collaborative relationship with khokimyat.

415. According to farmers, the khokimiyats decide the quotas (weight of crops) to be produced on their lands and provide that figure to IAL; IAL further uses that same weight in the contracts with farmers. One of the interviewed farmers mentioned that he had to go to khokimyat to have his quota revised and reduced. According to the farmer, the khokimiyats use the quality of land and its area to define the quota, and come up with a quite high quota, and negotiation with khokimyat is required to make the quota realistic. None of the interviewed farmers had an issue with reaching the target quota, however, they heard about other farmers who had issues with reaching the quota. Such farmers try to buy the crop (cotton in their example) from other overperforming farmers to meet their numbers and avoid issues. If it is not possible, then they have to find other ways to pay their debt (either at the expense of other more productive crops or through negotiating the debt repayment options with IAL, such as recovering the debt amount during the next season). No debts are forgiven. The farmers did not remember of any cases of contracts termination; they mention that it's not really required since the contract lasts only one year.

416. The farmers utilize all their production area (almost all of their area is used for crop production in accordance with the contracts), however they also have small patches of land (not covered by contract farming) that they use for their own needs. On such patches the farmers grow carrots, corn, maintain a small orchard for their own consumption and partially for sale (they try to get two harvests each year).

417. Supplies. According to the contracts with IAL, the farmers are buying seeds and fertilizers from IAL. In addition, they can also buy pesticides and defoliants – these costs are recovered from 60% of the payment made by Indorama. Other services can also be requested by the farmer (e.g., rental of mechanization, etc.).

418. In terms of the use of mechanization, the contract farmers mentioned that only planting of seeds and defoliation is done with the use of machinery, and the rest of the works (including cotton harvesting) are done manually (mechanized harvest is only for IAL corporate farms). The interviewed farmers reported that they have their own machinery and use it for work, but they also mentioned that there are other farmers who do now own their machinery and rent it from IAL. To cover fuel costs, and costs for equipment rental, the farmers use funds provided by IAL until crop collection (60% of the total contract cost) and then do the final calculations/payment at the end of the season (and additional expenses, if any, are deduced from remaining 40% of the contract cost).

419. Fertilization process is undertaken mechanically by a tractor. In case of liquid fertilizers, they are delivered in tanks trucks and applied by using sprayers. The farmers do not use airplanes to spray fertilizers. They mentioned that in 2022 IAL provided phosphorus fertilizers in a larger amount (700 kg of fertilizer was provided to the farmer compared with 500 kg in the previous year) and farmers were able to increase the quality of collected cotton. While some of the farmers mentioned that they prefer to buy the pesticides and/or bioagents from IAL, the others noted that they also consider other sources, which allows them to negotiate for possibly better price.

420. The concentrates of fertilizers are delivered to the field and then mixed with water on the spot. The mixing is done in small pits dug out in land and covered with impermeable cover to avoid loss of water and prevent excessive pollution of soil. In the meantime, one the farmers mentioned that he is interested in learning more about composting (minimizing the use of chemicals). They also noted that for pest control they mostly use bioagents. They do not mix the methods of chemical and biological methods of pest control but give preference to biological methods.

421. The plots are irrigated and the water user's association is responsible for the maintenance and operation of irrigation infrastructure. Availability of irrigation water in sufficient amounts is one of the largest challenges for farmers in Kasbi district. Water is scarce and many farmers have to use the wells to pump the groundwater (with higher content of salts) for irrigation. A similar issue was also mentioned during the discussion with farmers in Nishon.

422. Farmers are using conventional irrigation methods. They do not have areas under drip irrigation, however, are interested in converting to drip irrigation in the future. No water reuse is practiced by the interviewed farmers.

423. The main issue faced by the farmers is the availability of the sufficient amount of water supplied through irrigation system. During discussions the farmers inquired if IAL can possibly help them to drill the boreholes and install the pumps (at depth of about 200 m) to be able to use the groundwater to top up irrigation water and ensure that sufficient water is available for the crops to thrive. The farmers were also hoping that in this case IAL can help them to obtain documents and permits required for wells and with the installation of pumps. In the meantime, according to IAL, implementation of high value measures without long terms contracts is not feasible.

424. Land development and productivity. One of the farmers reported that since engagement with IAL the productivity has increased, due to better organization of works (provision of buses, fertilizers, seeds, etc.), as well as due to the provision of advance funds by IAL to take care of necessary expenses. One of the farmers also noted that IAL has provided the tires for his own tractor, which was very convenient for the farmer (IAL purchased the tires for the tractor and at the end of the season will deduct the cost of tired from the 40% of the total payment). Few other farmers mentioned that no significant differences in their productivity were noticed.

425. The farmers complained about the quality and productivity of their land, mentioning that the quality of land (bonitet) is defined by the state inspection, and based on that, the khokimyat defines the production quotas for each crop. The farmers are not sure how the quality of land is defined and find the quotas excessive. IAL to inform interested farmers on where they can get the land quality related information.

426. The farmers mentioned that they do not have sinking areas and there are no such areas in Kashkadarya to their knowledge (it's more common in the areas with high groundwater table, e.g., like in Syrdarya).

427. Support by IAL. The farmers emphasized that the provision of advance funds in the amount of up to 60% of the contract cost is a great support for their proper operation, as it allows them to work efficiently and timely undertake the works. One of the farmers mentioned, that before getting contracted by IAL, he had to borrow funds or sell cattle to cover farm's operational expenses. Another farmer highly appreciates the advantages of working with IAL, and emphasized the availability of IAL agronomists, who provide quality advice and guidance and help

farmers to identify and resolve the issues with crop growing and minimize crop losses. In the meantime, the farmers inquired if IAL can help them with purchasing the pumps for irrigation water by including the pumps into the list of items for which advance payment is provided, so farmers can get them at the beginning of the season and then pay at the end. In the meantime, according to IAL, implementation of high value measures without long terms contracts is not feasible.

428. When asked about the support provided by IAL, the farmers mentioned the training delivered to them. They recalled the training module on crop growing, pest control (delivered by an international expert) and training on prohibition of involvement of forced labor and minors the most. They stressed that these trainings are indeed useful. IAL agronomists inform the farmers on the training topic and timing in advance, and then they agree on the area of delivery (usually a school hall or another convenient place for participants). The farmers also mentioned that they would like to request delivery of additional training, especially on topics of defining the quality of cotton, defining the quality of soil, innovative/advanced irrigation technologies (including land leveling, drip irrigation, etc.), i-banking module.

429. Cotton collection. Group leaders are hired by IAL, most of them are from nearby communities and engaged in similar works for many years (some even for 15 years). Leaders are considered seasonal employees. IAL and a farmer monitor the activities of the leader. Farmer jointly with IAL agronomist decides the area where the cotton can be collected and instruct the leader to organize the pickers' groups. The leaders collect the cotton pickers from nearby communities; they know most pickers who worked previously and are responsible for identifying the pickers and engaging them. The leaders mentioned that cotton collection is done in three rounds, and engagement of pickers for the first round is much easier in comparison with the involvement of pickers for the second and third rounds of cotton picking, as people are tired, the days are colder and shorter, thus the pickers collect less cotton during the work day. The functions of the group leader include the selection of pickers (screening is done by the leader to ensure that there are no pickers under 18 years old and no one is forced to pick the cotton), agreeing transportation of pickers to site and back (they ensure that pickers take the bus and children or individuals below 18y.o. are not allowed to ride the bus) and supervising the quality of the cotton picking. If any picker is not performing well, the leader provides additional guidance, however in case of continuous non-performance the picker is excluded from further work. The farmer, IAL and state entities also monitor the manual cotton collection work to ensure that no minors or forced labor is engaged. The farmers and leaders mentioned that no minors and/or forced labor were observed on the cotton fields during last 3-4 years.

430. During the cotton-picking season, IAL is responsible for the provision of bus service to deliver pickers to the fields and take them back to their communities. Farmers mentioned that until 2022 the bus service was provided by farmers, but this year it is undertaken by IAL, which is more efficient.

431. The farmer is responsible for the provision of meals and sanitary facilities, as well as for the payment to pickers. The food is prepared on-site by the cook engaged by the farmer. The farmers arrange small portable kitchen that allows the cook to prepare and serve the meal (main dish and tea). The meal is cooked on an open fire; the firewood is brought to the site. The hot meal is served, including one main dish (usually pilaf, rice porridge, macaroni soup, rice soup, etc.), bread, and tea. Leaders noted that the pickers are happy with the quality of served food. The pickers bring their own plates and utensils from home (every day) and take them back home to wash. The cook is washing pots and utensils used for cooking. The farmers provide the car to deliver the produce to the cooking site in the morning and take any waste back in the evening (waste only includes limited domestic waste, such as food packaging, remnants of produce, etc.)

432. Dining area is arranged either under the tent or under the trees in shadowy area. The thick covers are placed on the land and pickers are sitting on them during the lunch break. In some areas farmers installed tables and benches. Portable hand washers and toilets are provided by farmers. The toilets are pit latrines with a movable upper part, that is transported from site to site (depending on where the cotton is being collected). The remaining pit is covered by soil.

433. GRM. The interviewed farmers were aware of GRM, however in case of complaints they first approach the agronomists of the contract farming department of IAL. They find the use of GRM less practical and potentially time consuming. Group leaders were aware of GRM, however despite having complaints earlier they didn't lodge them through GRM but prefer the traditional path of grievance resolution – involvement of supervisor. The leader who earlier had complaints approached their supervisors about pay and requested incentives, however the issue was not resolved yet at the time of the audit. The farmers and leaders noted that they do not know of other farmers or leaders who sought resolution of their issues through GRM. Some of the farmers and leaders even mentioned the locations of the grievance boxes during the discussion with E&S consultants.

434. Challenges. During the discussion the farmers mentioned the following challenges and issues:

- Availability of irrigation water. Irrigation water is scarce and gets even less available due to sedimentation processes in irrigation canals, which reduces the water carrying capacity of the canal and decreases the volume of water delivered to fields. Suggestions included drilling of groundwater wells and installation of pumps to cope with irrigation water deficiency.
- Limitation in the availability of defoliants. One of the farmers mentioned that previously IAL was providing limited amount of defoliants. Last year, the defoliant didn't properly work in his case (the leaves remained on the cotton plant) since he planted the cotton a bit earlier, and he had to find alternative source to buy defoliants and make additional expenses. This issue was not caused by the quality of defoliant supplied by IAL. The same farmer also mentioned that in 2022 no such issue was observed.
- Absence of agricultural insurance. The farmers emphasized their vulnerability in case of issues with crops that occur due to factors out of their control (e.g., issues with the quality of seeds, delays in the supply of irrigation water or insufficient availability of water).
- Farmers mentioned that availability of option to buy the seeds and supplies from any source will enable them to negotiate the cost and possibly get the better price for the seeds and supplies or get better quality of seeds and supplies for the same price as now. It was noted that not all farmers agreed with this approach, and one of the farmers mentioned that the purchase of seeds and supplies from IAL saves time and effort that will be otherwise spent on locating the other suppliers and negotiating the price, which might not be necessarily cheaper.
- It is tough to find sufficient cotton pickers for the second and third rounds of cotton collection. Both, the leaders, and the farmers mentioned this issue.
- Cost of cotton. Some of the farmers inquired about if IAL can slightly increase the prices for cotton, and not use the exact price established by the state (the state price is established for guidance) The cotton price recommended by state is growing slower (accounts only for inflation) compared to the increase in prices of materials required to produce the cotton (e.g., fuel costs, costs of supplies, etc. on top of inflation).

Discussion with cotton pickers

435. Cotton pickers are engaged by group leaders, they are well known in the community as they work as group leaders for many years and engaged the cotton pickers from their own or nearby communities. IAL directly engages the picker leaders on a seasonal basis. The picker leaders have contract and are paid by IAL. Usually, the leaders contact other local women who are also known in their communities and have connections, and then the information is spread by word of mouth and interested people contact the leaders for engagement in cotton picking (similar process is used for engaging pickers under contract and direct farming). IAL ESG team CLOs also undertake consultation with nearby mahallas requesting for picker women's voluntary participation in cotton picking for contract farming. For contract farming the cotton pickers are engaged by the contract farmers, while for direct farming the cotton pickers are engaged by IAL. Leaders collect passport data from pickers and pass this information to farmers in support of the conclusion of contracts between farmers and cotton pickers. A few interviewed cotton pickers' leaders mentioned that they have copies of the contracts at home. They confirmed about being with the amount and timeliness of the pay they receive and are working for IAL for a few years now. No medical screening is undertaken during the engagement of cotton pickers.

436. During the engagement process, the leaders make sure that no minors are involved in the works. There is a declaration form which is being signed by each of the picker where he/she mentions that he/she is not under age of 18 years, not working with any government department and is working voluntarily. During the discussion, cotton pickers shared the story of a woman-picker who wanted to take her child with her to the field, and the leader refused to let them on the bus and requested her to return home. Traditionally women are engaged as cotton pickers, however, during the last years this pattern has changed and now there are also men who work as pickers during cotton collection. During the site visit, the E&S consultants met the couple (husband and wife) who were collecting cotton in the same field.

437. During the discussion the IAL's Head of HR mentioned that in the first years of their operation they tried to engage khokimiyats to obtain support with the engagement of cotton pickers, however later adjusted to the accepted local practice. Later they contacted mahallas, who proposed the candidates for group leaders and supported them with information sharing with potential cotton pickers. Most cotton pickers are involved in the collection every year and consider it as a short-term side income. Cotton picking starts at the beginning of September and lasts until mid-November. Pickers are working for various farmers and clusters, as they can finish the work on one field (for one farmer/cluster) and shift to work on another one (another farmer/cluster). In addition, leaders noted that in 2022 it was more difficult to engage a sufficient number of cotton pickers, as the incentives provided in previous years by IAL were now provided by farmers (and not all the farmers were diligently providing them). In previous years, a liter of cotton oil was provided to each picker as an incentive, and in addition gifts (appliances, kitchenware, etc.) were provided to the leader. Leaders emphasized that these incentives were indeed motivating the pickers and leaders, so they inquired if IAL can reconsider the recent decision to transfer the provision of incentives to farmers and reinstate the previous procedure for provision of incentives/gifts.

438. Payment to cotton pickers engaged for contract farming is paid directly by the contract farmers. To ensure timely payment to cotton pickers, the IAL transfers the funds to the farmer's special account for picking payment. The funds from this account can be used only to pay to cotton pickers. Cotton picker wage is calculated based on the weight of collected cotton delivered to CCP. At the end of the day, the leader and farmer weigh the cotton collected by each picker. Picker leader records how much being picked by each picker, the Act of work (also known as Vedomost'/ведомость) completion is prepared and signed by farmer, picker leader and picker,

and each picker also acknowledges the payment receipt. Then, for pickers engaged under contract farming, based on the total weight of collected cotton, the payment is made to each picker by farmers usually every 5 days. For direct farming, the picker leader's Act of work completion is being submitted to bank for cash withdrawal, based on which payment being made to each picker in presence of IAL representative.

439. The number of days in the field is not specified in contracts, and each picker is allowed to choose the days in the field, based on his/her availability. The leaders check the schedule with each picker in advance, to make sure enough pickers are working on the fields (it was noted that in groups of 50 pickers, 2-3 might be missing each day). The pickers noted that they are not interested in missing a day in the field as it means a loss of potential income. The picker's wage only includes the remuneration, since the transportation and meals are provided. No picking is taking place on rainy and cloudy days. Each year (usually in August) the Cabinet of Ministers sets the minimum fee for first and second manual picking of cotton. IAL follows the fees established by the Government. (This information has been removed as it falls within the exceptions to disclosure specified in para 17 (2.v) of ADB's Access to Information Policy 2018.)

440. The pickers leave for the field between 07:30-08:00. Depending on the number of pickers, the bus makes one or two trips to the field and back. Lunch break is scheduled for 13:00. No specific duration is set for the lunch break, however, most of the pickers mentioned that they prefer to have a quick break and return to the field to be able to collect more cotton by the end of the day. The workers are provided with tea in the morning and a hot meal and tea during lunch. Large tanks filled with drinking water are available for pickers and no quote per person is established. Interviewed cotton pickers were satisfied with the quality of meals. During the informal discussion, one of the pickers mentioned that the questions asked by E&S consultants distract her from the cotton collection and lead to a loss of potential income. The buses are leaving the field at 18:00–18:30. The working day duration can also be adjusted to weather conditions. Pickers confirmed that they are provided with hand washers and toilets, as well as dining areas are arranged. The available facilities were found to be sufficient for them and no additional facilities/improvements were expected. PPE (including face cover and aprons) was provided to pickers, however, most of them noted that the face covers (provided each week) are too small and not very comfortable, so they prefer to use larger scarfs to cover their head and face and protect from dust. In the meantime, one of the pickers claimed that she was not able to use the mask since she feels shortness of breath when wearing it. All observed pickers were using aprons. Some of the pickers were also using gloves to protect their hands (not provided by IAL/farmer). At the beginning of the season, a brief training on the provision of first aid is provided to pickers. The leaders also provide health and safety-related guidance.

441. Some of the interviewed pickers complained about long lineups to weigh the cotton at the end of the day. One of the pickers also mentioned that is collected cotton is wet, and the weighing is done on the next day, so the cotton is dryer, and they are not overpaid for water/humidity. Pickers were generally aware of GRM, however a few of them mentioned that prior to lodging a grievance they approach the group leader for possible resolution of their issues. The questions they had were only limited to wages and incentives. Pickers and leaders mentioned that they prefer not to lodge a formal grievance since they think it might lead to loss of employment. With this respect, IAL mentioned that no cases when pickers raised complaint against picker leader were recorded. In the meantime, IAL also noted that there were a few rare cases when the pickers raised complained for not paying them the amount due. These cases happened at the end of the harvesting period when contract farmer accounts were blocked by government due to non-payment of taxers consequently payment could not be released to pickers by contract farmers. In such cases IAL worked with farmers to resolve the issue quickly and ensure that payment is

provided to cotton pickers.

442. Farmers monitor the work implemented by cotton pickers, particularly the quality of collected cotton, and completeness of the cotton collection, as well as make sure that pickers are satisfied with transportation, water, meals, and facilities in the field. IAL monitoring is carried out by an agronomist/production manager who also checks the quality of cotton, the collection process, and the facilities provided by the farmer.

443. A few photographs made during site visit to contract farming areas, and discussions with contract farmers and cotton pickers are provided in Annex X.

Recommendations:

- Consider provision of additional services to contract farmers, such as support in purchase and installation of equipment, pumps, etc., as well as better tents, portable dining tables and chairs, tanks for drinking water for the cotton pickers.
- Enhance set of training modules provided to contract farmers by including topics on determining the quality of soil, determining the quality of cotton, application of modern irrigation technologies, land laser leveling and its benefits, i-banking modules, etc.
- To ensure proper operation of GRM, consider installation of mobile boxes in the areas where cotton is collected (e.g., dining areas of the pickers) or in buses. Ensure the pickers are aware of an anonymous option to lodge a grievance and obtain the feedback.
- At the time of the engagement keep the practice of openly discussing the wage structure, allowances for transportation and/or meals (even if included in the wages), as well as mechanism for provision of incentives. This will significantly minimize the potential grievances and further improve the working climate.
- Organize weekly meetings of GRO in Kashkadarya region with group leaders, and possibly agronomists, to ensure that the concerns raised by farmers and cotton pickers are not lost.
- Redesign face covers for cotton pickers (they call is masks), by making them thicker (2-3 layers) and larger (covering the face from chin to eyes). To minimize expenses on redesign, the masks can be provided to pickers every two weeks.

6.5 WEB SEARCH FOR COMPLAINTS AND ISSUES RELATED TO IAL

444. A web-search of issues and complaints raised with respect to IAL was undertaken to review media publications regarding IAL. There were number of issues raised in the web publications related to the loan with EBRD and IFC, and namely to the ESIA, ESMP and LRP prepared in 2020, use of hazardous chemicals and pesticides, change in livelihood and loss of supplementary income for local communities, stakeholder engagement and consultation activities, establishment of trade union in Syrdarya region, tree cutting and issues with nano units workers. The issues were raised mostly by NGOs and CSOs.

Recommendations:

- Given the potential risk in terms of issues raised, it is recommended to engage an external monitor by IAL to conduct semi-annual visits to monitor and report on IAL E&S performance in SAESMR. It is also recommended that ADB E&S staff also be closely monitoring the project.

7. RECOMMENDATIONS AND CORRECTIVE ACTION PLAN

445. Table 18 below provides summary of observations, gap findings, the compliance status of the environmental, social, health and safety performance of the Project based on ADB's SPS requirements and recommended corrective actions. A Corrective Action Plan is presented in table 19.

Table 18. E&S compliance with ADB SPS requirements

ADB requirements	Compliance Gaps	Recommendations and Corrective Actions
Corporate level		
SPS, SR1, ES policy, ESMS	<p>Standalone E&S policy is not developed, however number of policies developed for IAL are serving as E&S policy substitute.</p> <p>External ES Consultant is engaged by IAL for the preparation of ESMS. ESMS is in process of preparation, and the first draft was provided for review. The draft is rather basic; some of the sections are missing, and at this stage, it is not in compliance with ADB requirements.</p> <p>Most of the reviewed policy documents are brief and present only general approaches applied by IAL while lacking specific details. Several policy documents referring to HR are complementing each other and address various aspects of the same subject.</p> <p>During the audit, it took time to receive some of the documents, in a few cases the title of the document was not corresponding to its contents. In some other cases the expired agreements were provided for review.</p>	<ul style="list-style-type: none"> Finalize the draft ESMS, where (i) corporate level E&S policy and its management are detailed and organizational structure for the ESMPs implementation and ESMS oversight is streamlined; (ii) screening for ADB Prohibited Investment Activities List; (iii) contractor and supplier management system; (iv) monitoring and reporting of ESMS implementation. ESMS will outline a structured corporate approach towards identifying, assessing, managing, and monitoring environmental, health and safety, social and gender aspects for all projects being implemented by IAL. Consider optimization of the policies by combining all relevant policies into one updated document to provide a comprehensive approach to the issue and facilitate implementation, monitoring, and reporting (e.g. the first 12 policies provided in table 10 can be combined into one updated HR policy (or handbook), which will include all relevant aspects of the human resources management, as well as details on employment contract signing, probation period, wage calculation approach, vacation / rest period calculation, social benefits and insurance provided to employees, etc. (these topics were found to be most important and less clear for most of informally interviewed employees). Such comprehensive HR policy (handbook or set of policies) shall be translated into the languages spoken by the workforce and attached to all employment contracts. Establish and maintain a repository of E&S documents, permits, agreements, and reports to ensure effective management of documentation, track the status of the documents, and follow up with obtaining / renewing permit, contract as well as facilitate monitoring and reporting processes.

ADB requirements	Compliance Gaps	Recommendations and Corrective Actions
SPS, SR1, ESMPs	ESMPs are drafted and in process of finalization. Some of the ESMPs include repetitive statements or does not include references to the requirements of other ESMPs referring to the same subject. In a few cases, the information and requirements related to one subject are dispersed among different ESMPs.	<ul style="list-style-type: none"> • Ensure alignment of the requirements and responsibilities among ESMS, ESMPs, policies and procedures to ensure a structured corporate approach towards assessing environmental, health and safety, social and gender aspects for all projects being implemented by IAL. Documents covering various aspects of the same issue shall be cross-referenced, so in case of updating one of the document's all linked documents are also verified to introduce relevant amendments (if needed).
SPS, SR1, Monitoring and Reporting	A set of 16 ESMPs, including an Environmental Monitoring Plan, is drafted. Monitoring requirements of various draft ESMPs are not well aligned (part of activities is covered in one plan, and part in another). ESMS (including its monitoring and reporting provisions) is not yet finalized. BCI and ISO certification will require additional monitoring and reporting. The alignment in reporting requirements of different documents is required.	<ul style="list-style-type: none"> • Ensure that ESMPs to be finalized include appropriate environmental monitoring and reporting requirements aligned with ESMS and policies, as well as possibly with the requirements of ISO and BCI certifications. ESMS and ESMPs implementation progress shall be reported to ADB on semi-annual basis through submission of the Semi-Annual Environmental and Social Monitoring Report (SAESMR). • Ensure that internal monitoring and reporting also cover the issues raised by employees in line with the Whistle Blower Policy.
SPS, SR1, Organizational Capacity and Commitment	<p>Based on the organization structure of IAL, the ESG department is responsible for social, stakeholder engagement, and grievance redress, while the HSE department was responsible for environmental and health and safety issues. No environmental specialist is included in the ESG department staff. Two positions in the ESG department are vacant.</p> <p>Draft ESMS envisages the establishment of the ESG Committee to ensure its implementation. Functions for ESMS implementation are spread among different departments, while the ESG department has the main responsibility. Similarly, the responsibility for ESMPs implementation mostly lies with the HSE unit, while for the E&S related documents it should be rather the</p>	<ul style="list-style-type: none"> • Consider streamlining the organizational structure for ESMS implementation, to ensure sufficient resources are available for ensuring proper central coordination and oversight over the implementation of ESMS and all ESMPs. Involvement of a separate Environmental Specialist as a part of the ESG department might be recommended to ensure sufficient resources available for central oversight over ESMS and ESMPs implementation, E&S monitoring, and reporting. • Hire ESG department members to complete vacant positions. • One department (ESG) shall be preferably responsible for high-level management and oversight of all ESMPs. With respect to ESMPs implementation, that department (ESG) can seek input and action from other departments, however, no ESMP can be fully delegated to another department without ESG involvement and oversight. If needed, ESG department can be strengthened with an environmental and social specialist, who can be responsible for ESMS operations, monitoring and reporting.

ADB requirements	Compliance Gaps	Recommendations and Corrective Actions
	ESG unit.	<ul style="list-style-type: none"> Carry out knowledge/information exchange across sites/regions to ensure that policies and procedures are duly implemented. This will help to resolve the issue of varying levels of expertise/ education/ knowledge of experts in different sites/facilities.
SPS, SR1, Labor Management - <i>Wages, benefits, and conditions of work</i>	Several policies related to labor management are developed. In the meantime, employment contracts signed by IAL were based on local legislation and the reviewed document included a Code of Conduct, however no reference to other policies and procedures (e.g., GRM, Policy on Overtime, etc.).	<ul style="list-style-type: none"> Consider developing a set of clauses including key environmental and social, health and safety requirements (with references to relevant policies) to be added to all future contracts with employees. This set of clauses shall also include the requirement of new adopted Labor Code (entering into force on 30 April 2023). IAL confirmed that all the contracts will be reviewed once the new Labor Code comes into force.
- <i>Workers Grievance Mechanism</i>	<p>GRM is available for IAL workers. During informal discussions, workers mentioned that they prefer to share issues with their supervisor, and if they cannot be resolved then GRM can be considered. Farmers also mentioned on not preferring to use GRM, as most of their issues require quick resolution. Employees of contractors avoid GRM in fear of possible retaliation. Cotton pickers address their concerns to leaders, and some of the issues remain unsolved.</p> <p>GRM is not referenced in any contracts with employees or contractors).</p>	<ul style="list-style-type: none"> Enhance GRM including an explicit statement on the prohibition of retaliation against those who raise or lodge any grievance, as well as add a feedback provision mechanism for anonymous grievances. Post the responses to the anonymous grievances on the information board of the relevant site and on the IAL website. Refer to GRM in all future contracts. A FAQ list can be prepared based on the most common grievances and posted to IAL's website as well as on the information boards in the facilities.
- <i>Workers Organizations</i>	Collective Bargaining Agreements are signed in both regions. Collective Bargaining Agreements include provisions for workers aged between 16-18 years old (based on local legislation), however, they contradict IAL's approach of not engaging minors (under 18 years old).	<ul style="list-style-type: none"> Review Collective Bargaining Agreements for Kashkadarya and Syrdarya regions, to remove any clauses referring to the engagement of employees under 18 years old. The Collective Bargaining Agreements shall clearly prohibit the involvement of minors and forced labor. Ensure that Collective Bargaining Agreements include references to relevant IAL Policies that commit to no child and forced labor during IAL operations. Publish Collective Bargaining Agreements on the IAL's website. IAL confirmed that the Collective Bargaining Agreements will be reviewed for compliance with the new Labor Code.

ADB requirements	Compliance Gaps	Recommendations and Corrective Actions
SPS, SR1, Contractor Management / Procurement	<p>Contracts signed with the contractors (direct farming) include some limited provisions on the non-involvement of minors (under 18 years old). In the meantime, the contracts also state that the contractor bears overall responsibility for its workers, and in case of disagreement, it shall be settled without IAL's involvement. No reference to GRM or other relevant IAL policies is made.</p> <p>Similarly, the template agreement with contract farmers includes a lengthy section specifying labor requirements; however, it instead can be linked to IAL policies (assuming the HR policy is updated and includes all the necessary details).</p> <p>IAL does not review the contracts concluded by the contractors / sub-contractors with their workforce. IAL does not cascade its policies and procedures to its contractors / subcontractors. No monitoring requirements to ensure compliance of the contractor to E&S requirements are covered in the contracts. No periodic checks on E&S performance of contractors and subcontractors are implemented by IAL (other than monitoring of cotton pickers carried out by the group leaders and monitoring of contract farmers' adherence to agricultural practices by agronomists).</p>	<ul style="list-style-type: none"> Enhance Procurement Policy to include: (i) contractor/subcontractor and supplier tendering and selection procedure (e.g., checking contractor's E&S and labor policies, management system, performance, and liability record, incorporating E&S considerations into the selection metric, etc.); (ii) Standard E&S requirements in tendering documentation and contracts, including requirements for establishing E&S management aligned with the project's E&S requirements. Develop a set of clauses including key environmental and social, health and safety requirements to be added to the template contract for contract farming, and this included in all future contract farming contracts. Formally cascade policies to contractors and sub-contractors. In addition to a set of clauses, include reference to respective IAL policies in future contracts and require contractors and sub-contractors adherence to their requirements. Ensure a system is in place to comply with ADB's Prohibited Investment Activity List (PIAL), including a commitment to no child and forced labor.
SPS, SR1, Environmental and Social Assessment	<p>A part of the environmental assessment and permitting documents were not provided for review (EISs were not provided, but for most facilities the conclusions to EIS were provided). Overall, the level of detail in analysis provided in local documents is not fully compliant with the requirements of ADB's SR1. In the meantime, the ESIA developed for the project considered by IFC and EBRD is in</p>	<ul style="list-style-type: none"> Ensure that all necessary documents are duly prepared, conclusions and permits are obtained and uploaded to the document repository for easier access and review. Sr. Manager – ESG to review the documents in the repository and ensure that all documents are obtained and in place.

ADB requirements	Compliance Gaps	Recommendations and Corrective Actions
	compliance with ADB SR1 requirements.	
SPS, SR1, ES Agreements	The agreements for water supply and waste disposal (including domestic waste, wastewater, bio-medical waste, scrap metal, plastic, etc.) were not available for all the facilities. Some of the agreements reviewed at the time of the audit were expired.	<ul style="list-style-type: none"> • Ensure that all relevant agreements are duly obtained, are valid and the requirements are duly followed. Ensure the documents are available in the repository. Ensure that an expiry date tracking mechanism is established to timely renew the agreements. • Sr. Manager – ESG to review the documents in the repository and ensure that all documents are obtained and in place.
SPS, SR 1, Pollution Prevention and Control - Waste management and housekeeping	<p>Impacts are expected to be limited and associated with the operation of IAL facilities and agricultural activities. ESMP to be followed for monitoring of air emission, water and wastewater, noise and vibration is under preparation.</p> <p>Waste separation and recycling is undertaken. Separate storage areas for oil and petroleum products are established. Some oil spills and littering were observed during site visits.</p>	<ul style="list-style-type: none"> • Finalize and implement Environmental Monitoring Plan, Waste Management Plan, Housekeeping Plan, Oil Spill Prevention Plan, Include periodic reporting requirements in the Environmental Monitoring Plan, to provide the results of monitoring activities, analysis of monitoring outcomes, and further actions, if needed. • If any tree cutting is required in the project area, the preference should be given to transplanting them and, if transplanting is not possible, the planting of new trees in the areas agreed with community shall be implemented in accordance with the requirements of national legislation and best international practices (such as planting a number of saplings for each tree cut, ensuring availability of irrigation water and other necessary measures to ensure proper growth of young trees, etc.).
Pesticide Use and Management	Pesticides, Defoliants and Fertilizers Management Plan to meet the ADB's SPS requirements on "Pesticide Use and Management" (para 37 of Appendix 1) and follow the BCI Principle 1: for Crop Protection and applicable Criterion 1.1 to 1.9. As per Criterion 1.4, IAL to provide the phase out plan by 2024 pesticides listed in category 2 of the Globally Harmonized Systems of Classification and Labelling of Chemicals (GHS); 1b of the WHO classification.	<ul style="list-style-type: none"> • Review and update the list of pesticides and chemicals being used by IAL for direct and contract farming. • Review updated and applicable government regulations on restrictions on distribution and use of chemicals and pesticides for cotton industry sector. • Identify the chemicals and pesticides that are for "phase out" with reference to BCI's Criterion 1.4 (this includes WHO and Globally Harmonized System of Classification and Labelling of Chemicals (GHS). • Incorporate in the Pesticide, Defoliant and Fertilizer Management Plan the procedures and indicative timeline about gradual conversion from chemical pesticides usage to use of bioagents for both direct and contract farming operations. • Conduct regular training on pesticide handling, mixing, application, and disposal of pesticide

ADB requirements	Compliance Gaps	Recommendations and Corrective Actions
		<p>containers to contract farmers, drivers assigned to operate the mechanical sprayers, and HSE Staff assigned to this task in close coordination with BCI and IFC Advisory Services Team.</p> <ul style="list-style-type: none"> • Ensure that the final Pesticides, Defoliants and Fertilizers Management Plan is aligned with FAO's International Code of Conduct on the Distribution and Use of Pesticides.
SPS, SR 1, Stakeholder Engagement, Information Disclosure; Consultation and Participation	<p>A Stakeholder Engagement Plan was developed, and a new SEP is currently drafted. Communities inquired about the possibility of organizing training centers to train the local residents and in case of opening hire them for the work in IAL. Representatives of mahallas and local residents requested to discuss with communities upcoming CSR activities to ensure the best possible outcome for community residents.</p> <p>Web-search uncovered several publications with E&S issues regarding IAL (previous E&S assessments, use of hazardous chemicals, change in livelihood, improper stakeholder engagement and consultation activities, establishment of trade union in Syrdarya region and issues with its further operations, tree cutting and issues with nano units' workers.</p>	<ul style="list-style-type: none"> • Finalize and implement SEP. • Improve communication on CSR projects to ensure their most beneficial impact on community residents • Given the potential risk in terms of issues raised, it is recommended to engage an external monitor by IAL to conduct semi-annual visits to monitor and report on IAL E&S performance in SAESMR. It is also recommended that ADB E&S staff also be closely monitoring the project.
SPS, SR 1, SR2, Grievance Redress	<p>External GRM is available for the community to lodge grievances. No option for the provision of feedback to anonymous grievances is envisaged. During discussions representatives of mahallas and residents inquired about an option of lodging a grievance through Telegram.</p> <p>The emails provided for external GRM are personalized and complicated.</p>	<ul style="list-style-type: none"> • The GRM should include channels for raising anonymous and confidential grievances (including those linked to Gender-Based Violence and Harassment). • It is recommended to use a simple common email address for GRM (and not a personalized address of an employee that is indeed complicated to type without a mistake and might change in the future). • It is recommended that posters with GRM (including contacts for grievance lodging) are available at regional and district khokimiyats and are shared with mahallas. It is also recommended that an opportunity to lodge a

ADB requirements	Compliance Gaps	Recommendations and Corrective Actions
		grievance through social media platforms (e.g., Telegram channel, etc.) is also provided to employees and stakeholders, as Telegram is very commonly used in Uzbekistan for communication.
Site level – Facilities and site operations		
Labor Management - <i>Wages, benefits, and conditions of work</i>	Almost in all visited sites employees mentioned about having questions and concerns with respect to the calculation of wages, provision of allowances and incentives.	<ul style="list-style-type: none"> Continue the practice of open sharing of information on wage calculation, allowances included, and incentives (if any) to employees. For example, this can also be done on monthly basis through SMS or Telegram message. In addition, this information can be posted on the information boards of the IAL facilities (inside the buses that transport IAL employees).
- <i>Workers Grievance Mechanism</i>	In one of the sites (Fazli, Kashkadarya), the grievance boxes were located away from the common areas used by workers. At another site (Toirov, Syrdarya), grievance boxes were unmarked and some of the employees mistook a similar box for a grievance box. No feedback mechanism for anonymous grievances is provided in the existing GRM.	<ul style="list-style-type: none"> Review locations of grievance boxes and relocate boxes or install additional boxes as needed (if necessary, separate GRM boxes can be placed in the administrative area and in the area of production facilities where most workers are). Ensure that all grievance boxes are located in common, unmonitored, and unsupervised areas. Clearly mark grievance boxes and other similar boxes to avoid possible confusion. Ensure that workers are aware of option of lodging an anonymous grievance. For cotton pickers, additional temporary mobile grievance boxes can be installed in cotton collection fields (e.g., in dining areas or nearby sanitary facilities) or in the buses transporting pickers. Considering that the cotton pickers are addressing their issues to group leaders, arrange weekly meetings of group leaders with the Grievance Redress Officer of their respective region, to discuss the concerns and questions raised by the cotton pickers and provide resolution.
- <i>Housekeeping</i>	Dining areas, toilets, and showers (separate for men and women) were arranged at all visited sites. In the meantime, the changing rooms were not available and were requested by workers at all sites. In some areas dining rooms are small and do not accommodate workers (not enough chairs and the table is small), no shelving is available to store the food and the meals are placed on the floor. At one of the sites the workers	<ul style="list-style-type: none"> Arrange changing rooms separate for men and women. Consult employees on options for arranging changing rooms prior to making a final decision. Improve dining areas (where needed) to ensure the availability of sufficient dining space (chairs, table of adequate size) and arrange shelving/storage to allow employees to store their food items. Ensure that no animals can enter the dining areas.

ADB requirements	Compliance Gaps	Recommendations and Corrective Actions
<p>SPS, SR 1, Pollution Prevention and Control</p> <p>- <i>Wastewater</i></p> <p>- <i>Waste management</i></p>	<p>complained about a cat stealing their food.</p> <p>In Toirov (Syrdarya) no storm drains are available and large areas are paved, which leads to the water pooling after each rain. The water must be swiped by the cleaning staff.</p> <p>During the site visits, some oil spills were observed in vehicle services areas, nearby fueling stations and some other areas.</p> <p>In a few areas, the litter (including domestic waste, and construction waste) was placed on the bare ground.</p> <p>No documents were available for the well that at the time of the visit was being drilled at Istiqlol.</p>	<ul style="list-style-type: none"> Consider the establishment of storm drains in the Toirov site. Improve housekeeping and waste management at the Project sites, including removal of litter and improvement of measures for spills control. In addition to storage areas, the spill kits shall also be placed at the fueling areas, as well as in car maintenance shops/areas. In addition, it is recommended to equip each fuel tanker truck with a spill kit, so it can be used should the spill occur during machinery refueling at the field. Remove litter from site, ensure its disposal on approved location. Ensure that all necessary documents are duly obtained for a well in Istiqlol and uploaded to the document repository for easier access and review.
<p>SPS, SR1, Occupational Health and Safety</p> <p>- <i>PPE</i></p>	<p>Operational staff working at gins is exposed to noise from ginning machines and other equipment at the gin plants. During the site visits, several gin employees without hearing protection equipment were observed. Some of these employees mentioned that the hearing protection plugs are not comfortable to wear, few others noted that they can't hear their colleagues when wearing the plugs and thus prefer to not use them.</p>	<ul style="list-style-type: none"> The presence of personnel not directly involved in cotton ginning works in areas with noisy equipment shall be minimized. Using ear protection in such areas must be mandatory. Signaling can be introduced between the personnel that needs to communicate. Workers exposed to noise will be subject to regular medical examinations for early identification of hearing issues. Hearing protection equipment shall be provided for all personnel who may be present in rooms with noisy equipment and use of such equipment shall be strictly enforced. Workers exposed to noise shall be subject to regular medical examinations for early identification of signs of the potential health impact of noise.
Site level – Contract farming and cotton picking		
<p>Contracts</p>	<p>No specific policies related to the management of contract farming operations are developed; however, IAL confirmed that the requirements of their key policies (such as Human Rights Policy,</p>	<ul style="list-style-type: none"> Develop Contract Farming Procedure or SOP should include: (i) applicable labor management policies; (ii) government standards in terms of cotton quality; (iii) role and responsibilities of IAL to contract farmers; (iv) roles and responsibilities of the

ADB requirements	Compliance Gaps	Recommendations and Corrective Actions
	Code of Conduct Policy, Prevention of Sexual Harassment Policy, etc.) are applicable to contract farming arrangements, however the contracts do not include direct references to these policies. Contracts are based on the template and guided.	contract farmers in terms of production and supply of raw cotton in accordance with government standards; (v) cost of cotton per kg as dictated by government rate; (vi) targeted yield as dictated by government, etc.
Training and support	<p>Trainings are provided to farmers and are highly valued by them. In the meantime, the farmers requested additional trainings especially related to determining the quality of soil and quality of cotton, as well as other topics.</p> <p>Farmers also inquired about possibility of provision of additional services by IAL (for example, purchase and installation of equipment, provision of tanks for drinking water for the cotton pickers).</p>	<ul style="list-style-type: none"> Enhance set of training modules provided to contract farmers by including topics on determining the quality of soil, quality of cotton. modern irrigation technologies, land laser leveling and its benefits, i-banking modules, etc. Consider provision of additional services to contract farmers (to the extend feasible), such as support in purchase and installation of equipment, pumps, etc., as well as better tents, portable dining tables and chairs, tanks for drinking water for the cotton pickers.
GRM	<p>The interviewed contract farmers were aware of GRM, however in case of complaints they preferred approaching agronomists of the contract farming department of IAL. They find the use of GRM less practical and potentially time consuming, especially when speedy solution is required.</p> <p>Interviewed cotton pickers were not aware of GRM and mentioned that in case of any issues they approach the group leader., the cotton pickers preferred addressing their concerns to the picker leader to keep it possibly informal in fear of retaliation. Their questions were mostly on clarification regarding wages and incentives.</p>	<ul style="list-style-type: none"> Organize weekly meetings of GRO in Kashkadarya region with group leaders, and possibly agronomists, to ensure that the concerns raised by farmers and cotton pickers are quickly addressed. To ensure proper operation of GRM, consider installation of mobile boxes in the areas where cotton is collected (e.g., dining areas of the pickers) or in buses. Ensure the pickers are aware of anonymous option to lodge a grievance and obtain the feedback. A poster with GRM clearly mentioning absence of retaliation and possibility of anonymous grievance lodging is recommended to be placed in the buses used for transportation of cotton pickers. Continue the practice of openly discuss wage structure at the time of engagement, as well as mechanism for provision of incentives, as well as bus service by IAL and meals provided by farmers. This will help minimizing the misunderstandings and further improve the working climate.

ADB requirements	Compliance Gaps	Recommendations and Corrective Actions
PPE	Cotton pickers noted that the masks (provided by IAL on weekly basis) are too small and not comfortable and majority of pickers was not wearing the masks during site visits (the workers replaced them with scarfs).	<ul style="list-style-type: none"> Redesign masks for cotton pickers, by making them thicker (2-3 layers) and larger (covering the face from chin to eyes). To minimize expenses on redesign, the masks can be provided to pickers every two weeks.

Table 19. Corrective Action Plan

ADB Requirements	Compliance Gaps	Corrective Action	Risk	Deliverable/ Indicator	Timeline	Responsibility	Indicative Budget/ Resources	Remarks	IAL Response
A. SPS, SR1: E&S policy, ESMS	1. Updated ESMS needs to be compliant with ADB requirements	a. Update and finalize updating of the Draft ESMS with:	Medium	Updated ESMS	Prior to first Disbursement	IAL	Management time; Budget for: (a) External Consultant to continue updating of ESMS up to satisfaction of ADB; (b) ESMS implementation monitoring and reporting; and (c) cascading of approved ESMS	(a) IAL also needs to indicate who from IAL is in charge and contact person of ADB in updating of the Draft ESMS; (b) to be reported on the first Semi-Annual E&S Monitoring Report and update on ESMS implementation to be provided in succeeding Semi-Annual E&S Monitoring Reports	
		- clear structured corporate approach in identifying, assessing, managing, and monitoring and reporting of EHS, social and gender aspects for all the operations being implemented by IAL.							

ADB Requirements	Compliance Gaps	Corrective Action	Risk	Deliverable/ Indicator	Timeline	Responsibility	Indicative Budget/ Resources	Remarks	IAL Response
		- clear demarcation of HSE roles and responsibilities for IAL operations at the corporate and facility level.						IAL to officially designate the unit in charge of ESMS implementation	
		- ESMS to include: (i) screening and management of ADB Prohibited Investment Activities List; and (ii) contractor and supplier management system.							
		2. Ensure the alignment of ESMS with the updated policies, SOPs and ESMPs.			Two (2) months after the 1st disbursement	IAL			
		3. ESMS implementation to be reported to ADB through Semi-Annual E&S Monitoring Report (SAESMR) .			Submission of Semi-Annual E&S Monitoring Report to commence after six (6) months after ADB's first disbursement	IAL / External Monitor		(a) IAL to share its existing E&S Reporting document for ADB to comment on or ADB to share Draft AESMR Format; (b) Semi-Annual E&S Monitoring Report Format to be attached to the legal agreement	

ADB Requirements	Compliance Gaps	Corrective Action	Risk	Deliverable/ Indicator	Timeline	Responsibility	Indicative Budget/ Resources	Remarks	IAL Response
	2. There is a need for IAL to establish a central repository of E&S documents and government regulatory permits	Central E&S repository established/system established/evidence of tracking		Central Repository and Tracking System	Two (2) months after the 1st disbursement	IAL	Management time		
B. SPS, SR1: ESMP, Organizational Capacity and Commitment	1. IAL needs to appoint one (1) single unit responsible in ESMS and ESMP implementation	a. IAL appointment of unit in charge of ESMS and ESMP implementation	Medium	IAL Notice of Appointment	Prior to first disbursement	IAL	IAL, appointed IAL unit	To be reported in the first Semi-Annual E&S Monitoring Report	
	2. IAL has 16 existing ESMPs which need to be updated/enhanced while some are related and can be integrated as one policy to meet ADB's SPS requirements.	b. Updated and integrated ESMPs	Medium	Updated ESMPs	Two (2) months after the 1st disbursement	IAL	Management time; Budget for External Consultant to update ESMPs		

ADB Requirements	Compliance Gaps	Corrective Action	Risk	Deliverable/ Indicator	Timeline	Responsibility	Indicative Budget/ Resources	Remarks	IAL Response
C. SPS, SR1, Labor Management – employees; ILO standards (a. Wages, benefits, and working condition; b. Non-Discrimination and Equal Opportunity; and c. Child and Forced Labor)	Need to update IAL's HR Policy compliant with national laws and ADB requirements (for IAL employees, contractors and sub-contractors and their workers, seasonal staff, etc)	a. Review and updated existing HR Policy taking into consideration the New Uzbekistan Labor Code	High	Updated HR Policy	Two (2) months after the 1st disbursement	IAL, HR Department and other concerned unit for guidance	IAL, HR and concerned units	To be reported in the first Semi-Annual E&S Monitoring Report	
		b. Updating of HR-related Policies		Updated HR-related Policies	Two (2) months after the 1st disbursement	IAL, HR Department and other concerned unit for guidance	IAL, HR and concerned units		
		c. Review and updating of employee and non employee contracts to include provisions on wages, benefits, working condition per national law and adherence to ILO core labor		Updated employees and non employee contract	Two (2) months after the 1 st disbursement	IAL, HR Department and other concerned unit for guidance	IAL, HR and concerned units		

ADB Requirements	Compliance Gaps	Corrective Action	Risk	Deliverable/ Indicator	Timeline	Responsibility	Indicative Budget/ Resources	Remarks	IAL Response
		standards and ADB policies							
D. Workers' Grievance Redress Mechanism	1. There is a need to enhance existing GRM both for IAL employees and non employees	a. Provision that those filing for complaints/grievances are safe from potential dismissal/free from retaliation	High	1. Enhanced GRM for: (a) IAL employees; and (b) non-IAL employees; and 2. Record/ documentation of grievances with status	Three (3) months after the 1st disbursement	IAL, HR and all units	IAL, HR and concerned units; Budget for Cascading enhanced GRM Procedure	To be reported in the first Semi-Annual E&S Monitoring Report	
		b. Procedure in handling anonymous grievances established, cascaded to responsible units and shared with all workers		(a) Records/ documentation; (b) Announcements posted	Three (3) months after the 1st disbursement	IAL, HR and all units	IAL, HR and concerned units; Budget for Cascading enhanced GRM Procedure		
		c. Review of location of grievance boxes		Photos/ documentation	Prior to 1st disbursement	IAL, HR and all units	IAL, HR and concerned units; Budget for		

ADB Requirements	Compliance Gaps	Corrective Action	Risk	Deliverable/ Indicator	Timeline	Responsibility	Indicative Budget/ Resources	Remarks	IAL Response
							Cascading enhanced GRM Procedure		
		d. Enhancement in feedbacking, monitoring and reporting of grievances		Records/ documentation	Three (3) months after the 1st disbursement	IAL, HR and all units	IAL, HR and concerned units; Budget for Cascading enhanced GRM Procedure		
	2. There is a need to enhance IAL's contractors and subcontractors management	a. Contractor and Subcontractor. Review of tender documents and contracts with participation of IAL Procurement Specialist	High	(a) Enhanced GRM for IAL employees; and (b) Grievance record with status	Six (6) months after the 1st disbursement	IAL, HR and all concerned units	IAL, HR and concerned units; Budget for Cascading enhanced GRM Procedure		
		b. Updating of Procurement Policy or preparation of a Contractor and Supplier Management Plan including cascading of updated document		(a) Updated Procurement Policy or Contractor and Supplier Management Plan; (b) Proof that the document has been shared with concerned units, contractors	Six (6) months after the 1st disbursement	IAL, HR and all concerned units	IAL, HR and concerned units; Budget for Cascading enhanced GRM Procedure	To be reported in the first Semi-Annual E&S Monitoring Report	

ADB Requirements	Compliance Gaps	Corrective Action	Risk	Deliverable/ Indicator	Timeline	Responsibility	Indicative Budget/ Resources	Remarks	IAL Response
				and sub-contractors					
E. SPS, SR 1, House-keeping	IAL to provide and improve basic facilities	There is a need to provide: (a) changing rooms for all employees; and (b) improve dining areas in some sites	Medium	(a) Changing rooms provided and dining rooms improved; and (b) Photos	Six (6) months after the 1st disbursement	IAL and concerned unit	Budget for changing room installation and dining room improvement	To be reported in the first Semi-Annual E&S Monitoring Report	
F. Pollution Prevention and Control	There is a need to finalize and implement the Draft Waste Management Plan and improve waste management at the site	Review and finalize the draft Waste Management Plan based on ADB review/comments	Medium	Draft Waste Management Plan acceptable to ADB finalized	Six (6) months after the 1st disbursement			To be reported in the first Semi-Annual E&S Monitoring Report	
		Undertake a verification audit confirming the satisfactory implementation of		(a) Record of Monthly control and monitoring on waste	Six (6) months after first disbursement	IAL thru the ESG Unit	IAL manpower and budget for training	Summary of monthly monitoring results to be reported in the Semi-Annual E&S	

ADB Requirements	Compliance Gaps	Corrective Action	Risk	Deliverable/ Indicator	Timeline	Responsibility	Indicative Budget/ Resources	Remarks	IAL Response
		corrective actions: (a) designation of waste storage areas that are clearly marked; (b) removal of oil spills and disposal of hazardous waste in accordance with the permit; (c) training on proper PPE use to employees and IAL monitoring on employee compliance		management and provide recommendations to rectify issues, if any; (b) Evidence of satisfactory implementation to be confirmed in the next planting season; (c) Proof of Training; (d) photos and other documentations				Monitoring Report including status of corrective actions, if any	

ADB Requirements	Compliance Gaps	Corrective Action	Risk	Deliverable/ Indicator	Timeline	Responsibility	Indicative Budget/ Resources	Remarks	IAL Response
G. Pesticide Use and Management	There is a need to enhance existing IAL Pesticide, Defoliants and Fertilizers Management Plan and its respective SOP to be aligned with the BCI Principles and Criteria (Principle 1: Crop Protection and Integrated Pesticide Management Plan) and ADB's SPS requirements (para 37, Appendix 1).	(1). Review and update the list of pesticides and chemicals being used by IAL for direct and contract farming (2) review updated and applicable government regulations on restrictions on distribution and use of chemicals and pesticides for cotton industry sector . (3). Identify the chemicals and pesticides that are for "phase out" with reference to BCI's Criterion 1.4 (this include WHO and Globally Harmonized System of Classification and Labelling of Chemicals (GHS) . (4). Incorporate in the Pesticide, Defoliant and Fertilizer Management Plan the procedures and indicative timeline	medium	Updated IAL Pesticide, Defoliant and Fertilizer Management Plan and its respective SOP	Six (6) months after first disbursement	External Monitor /IAL	IAL budget	To be reported in the first Semi-Annual E&S Monitoring Report	

ADB Requirements	Compliance Gaps	Corrective Action	Risk	Deliverable/ Indicator	Timeline	Responsibility	Indicative Budget/ Resources	Remarks	IAL Response
		<p>about gradual conversion from chemical pesticides usage to use of bioagents for both direct and contract farming operations.</p> <p>(5) Conduct regular training on pesticide handling, mixing, application and disposal of pesticide containers to contract farmers, drivers assigned to operate the mechanical sprayers, and HSE Staff assigned to this task in close coordination with BCI and IFC Advisory Services Team.</p> <p>(6) Align the existing IAL Pesticide, Defoliant and Fertilizers Management Plan with FAO's International Code of Conduct on the Distribution and Use of Pesticides.</p>							

ADB Requirements	Compliance Gaps	Corrective Action	Risk	Deliverable/ Indicator	Timeline	Responsibility	Indicative Budget/ Resources	Remarks	IAL Response
H. Monitoring and Reporting	Given the risk of the project in terms of labor issues and use of pesticide, and potential risk for complaints, an external monitor will be engaged by IAL to keep track of IAL E&S performance and compliance	1. Engagement of external monitor 2.Undertake monitoring on a semi-annual basis with focus on contract farming and assess IAL performance including but not limited to: (a) implementation of corrective actions; (b) compliance with applicable labor laws; (c) grievance management, resolution and documentation; (d) commitment in terms of use of pesticide; (e) IAL engagement with the Trade Union, CSOs/NGOs and stakeholders.		Semi-Annual Report including recommendations to rectify issues if any	1. Prior to the first disbursement 2. Six (6) months after first disbursement	External Monitor	IAL budget	To be reported in the first semi-AESMR	
I.	Lack of designated procedure to guide the contract farming operations	Develop Contract Farming Procedure or SOP.	medium	Contract Farming Procedure or SOP developed and approved	Two (2) months after first disbursement	IAL	IAL budget		

ADB Requirements	Compliance Gaps	Corrective Action	Risk	Deliverable/ Indicator	Timeline	Responsibility	Indicative Budget/ Resources	Remarks	IAL Response
J	Potential gap in case of future mass layoffs of permanent employees	Develop Retrenchment Plan	low	Retrenchment Plan developed and approved	If required in the event of restructuring	IAL	IAL budget	Follow applicable national laws and good practice	

ANNEXES

ANNEX I. LIST OF MEETINGS AND DISCUSSIONS ATTENDED BY E&S CONSULTANTS

Some information has been removed from this Annex as it falls within the exceptions to disclosure specified in para 17 (3.vii) of ADB's Access to Information Policy 2018.

Date of meeting	Place of meeting	Participants	Purpose of meeting
October 14, 2022	Online	IAL team E&S Consultant team	Discussion of IAL's environmental and social activities. Planning of site visits and further meetings and discussions. Following the discussion, the planning of site visits to project areas was finalized.
October 17, 2022	Online	IAL team ADB team E&S Consultant team	Discussion of HSE department structure, operations, responsibilities. Discussion of health and safety approaches and measures applied by IAL at the sites, training and orientation provided, emergency planning, certificates and permits obtained by IAL.
October 18, 2022	Kashkadarya region, visit to IAL facilities	IAL team ADB team E&S Consultant team	Visit to IAL facilities in Fazli and Mughlon. Acquaintance with IAL activities and operations, discussion of environmental, social, health and safety issues. Informal discussions held with employees, farmers, cotton pickers and their leaders met on sites.
	Online	IAL team E&S Consultant team	Discussion of human resources management, available policies, type of contracts (permanent and seasonal). Discussion of hiring process, retaining on employees, incentives provided, collaboration with educational institutions and communities, as well as challenges in finding workforce.
October 19, 2022	Kashkadarya region, visit to IAL facilities	IAL team ADB team E&S Consultant team	Visit to IAL facilities in Mughlon and Nuriston. Acquaintance with IAL activities and operations, discussion of environmental, social, health and safety issues.

Date of meeting	Place of meeting	Participants	Purpose of meeting
	Kashkadarya region, discussions with mahalla and khokimyat	IAL team ADB team Mahalla Nazartepa Kasbi district khokimyat E&S Consultant team	Separate discussions with mahalla, community and khokimyat representatives on collaboration with IAL, support provided, issues and concerns.
	Kashkadarya region, discussion with Trade Union	IAL team ADB team Trade union E&S Consultant team	Discussion with Trade Union on its activities, agreement provisions, issues and concerns raised by workers, support provided to workers
	Kashkadarya region, discussion with contract farmers and cotton pickers	IAL team ADB team Contract farmers Cotton pickers group leader E&S Consultant team	Informal discussions held with employees, farmers, cotton pickers and their leaders met on sites.
	Online	IAL team E&S Consultant team	Discussion of tracking undertaken by IAL, the data collected, use of data for improved management.
October 20, 2022	Sirdarya region	IAL team ADB team E&S Consultant team Former contract farmer	Visit to IAL facilities in Oqoltin (logistics center A. Toirov), Istiqlol, farm depot. Acquaintance with IAL activities and operations, discussion of environmental, social, health and safety issues. Informal discussions held with employees, farmers, cotton pickers and their leaders met on sites.
	Online	IAL team E&S Consultant team	Discussion of land leveling process, issues related to top soil, dust generation, other E&S related aspects of the land leveling.
	Online	IAL team E&S Consultant team	Discussion of contract farming operation of IAL, engagement of farmers, support provided to farmers by IAL, training, challenges related to contract farming.
October 21, 2022	Sirdarya region	IAL team ADB team E&S Consultant team Sardoba district khokimyat Mahalla Birlik	Visit to IAL facilities in Sardoba district. Acquaintance with IAL activities and operations, discussion of environmental, social, health and safety issues. Separate discussions with mahalla, community and

Date of meeting	Place of meeting	Participants	Purpose of meeting
			khokimyat representatives on collaboration with IAL, support provided, issues and concerns. Informal discussions held with employees, farmers, cotton pickers and their leaders met on sites.
	Online	IAL team ADB team E&S Consultant team	Follow up discussion on the outcomes of the site visits. During the discussion LTA ES team members presented key observations made during the site visits and discussed next steps related to data collection, its analysis and report preparation.
October 22, 2022	Online	IAL team E&S Consultant team	Discussion on machinery and mechanization operated by IAL, maintenance, issued related to potential E&S impacts.
October 26, 2022	Kashkadarya region	Contract farmers Cotton pickers group leaders Cotton pickers E&S Consultant team	Additional informal discussion with contract farmers, cotton pickers group leaders, cotton pickers including topics related to their contracts, work conditions, challenges and issues, benefits, areas for improvement and recommendations.
October 27, 2022	Online	IAL team ADB team E&S Consultant team	Follow up discussion on contract farming operation of IAL, engagement of farmers, support provided to farmers by IAL, training, challenges related to contract farming.
October 29, 2022	Online	IAL team ADB team E&S Consultant team	Follow up discussion on provision of pending documents, discussion on progress with works implementation and report preparation.

ANNEX II. REFERENCES CONSULTED

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- Law on Sanitary and Epidemiological Welfare of the Population, № 393 dated 26.08.2015 (last amended on 27.04.2021)
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- An employment contracts with representative of contract farming department
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ANNEX III. LEGISLATION ON ADOPTING ILO CONVENTIONS

No	Convention title	Name of national document of ratification	Date of adoption and registration number	Ссылка на документ в lex.uz
1.	C029 - Forced Labor Convention, 1930 (No. 29)	Resolution of the Oliy Majlis of the Republic of Uzbekistan "On the Ratification of Convention 29 on Forced or Compulsory Labor"	30.08.1997 № 492-I	https://lex.uz/ru/docs/1198696
2.	C087 - Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)	Law of the Republic of Uzbekistan "On the Ratification of International Labor Organization Convention No. 87 on Freedom of Association and Protection of the Right to Organize in Trade Unions" (San Francisco, July 9, 1948)	25.10.2016 № 3PY-412	https://lex.uz/ru/docs/3053696
3.	C098 - Right to Organize and Collective Bargaining Convention, 1949 (No. 98)	Decree of Oliy Majlis of the Republic of Uzbekistan "On Ratification of the Convention on the Application of the Principles of the Right to Organize and Collective Bargaining"	30.08.1997 № 496-I	https://lex.uz/ru/docs/1198768
4.	C100 - Equal Remuneration Convention, 1951 (No. 100)	Decree of Oliy Majlis of the Republic of Uzbekistan "On Ratification of the Convention on Equal Remuneration for Men and Women for Work of Equal Value"	30.08.1997 № 493-I	https://lex.uz/ru/docs/1198712
5.	C105 - Abolition of Forced Labor Convention, 1957 (No. 105)	Decree of Oliy Majlis of the Republic of Uzbekistan "On the Ratification of the Convention on the Abolition of Forced Labor"	30.08.1997 № 498-I	https://lex.uz/ru/docs/1199987
6.	C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111)	Decree of Oliy Majlis of the Republic of Uzbekistan "On Ratification of the Convention on Discrimination in Employment and Occupation"	30.08.1997 № 499-I	https://lex.uz/ru/docs/1200008
7.	C138 - Minimum Age Convention, 1973 (No. 138)	Law of the Republic of Uzbekistan "On the Ratification of the Convention on the Minimum Age for Admission to Employment" (Geneva, June 26, 1973)"	04.04.2008 № 3PY-140	https://lex.uz/ru/docs/1334275
8.	C182 - Worst Forms of Child Labor Convention, 1999 (No. 182)	Law of the Republic of Uzbekistan "On the Ratification of the Convention on the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor" (Geneva, 17 June 1999)	08.04.2008 № 3PY-144	https://lex.uz/ru/docs/1334389
9.	C081 - Labor Inspection Convention, 1947 (No. 81)	Law of the Republic of Uzbekistan "On the Ratification of the International Labor Organization Convention No. 81 on Labor Inspection in Industry and Commerce" (Geneva, 11 July 1947)	27.08.2019 № 3PY-556	https://lex.uz/ru/docs/4490211

№	Convention title	Name of national document of ratification	Date of adoption and registration number	Ссылка на документ в lex.uz
10.	C122 - Employment Policy Convention, 1964 (No. 122)	Resolution of the Oliy Majlis of the Republic of Uzbekistan On the accession of the Republic of Uzbekistan to Convention No. 122 on employment policy, adopted in Geneva on July 9, 1964	06.05.1995 № 86-I	https://lex.uz/ru/docs/2739020
11.	C129 - Labor Inspection (Agriculture) Convention, 1969 (No. 129)	Law of the Republic of Uzbekistan "On Ratification of the Convention of the International Labor Organization No. 129 on Labor Inspection in Agriculture" (Geneva, June 25, 1969)	27.08.2019 № 3PY-555	https://lex.uz/ru/docs/4490251
12.	C144 - Tripartite Consultation (International Labor Standards) Convention, 1976 (No. 144)	Law of the Republic of Uzbekistan "On the Ratification of the Convention of the International Labor Organization No. 144 on tripartite consultations for the promotion of the application of international labor standards (Geneva, June 21, 1976)"	04.03.2019 № 3PY-525	https://lex.uz/ru/docs/4224514
13.	C047 - Forty-Hour Week Convention, 1935 (No. 47)	Decree of Oliy Majlis of the Republic of Uzbekistan "On the accession of the Republic of Uzbekistan to Convention 47 on the reduction of the duration of work to forty hours a week, adopted in Geneva on June 21, 1935."	06.05.1995 № 83-I	https://lex.uz/ru/docs/2738409
14.	C052 - Holidays with Pay Convention, 1936 (No. 52)	Decree of Oliy Majlis of the Republic of Uzbekistan "On the accession of the Republic of Uzbekistan to Convention 52 on annual holidays with pay, adopted in Geneva on June 24, 1936."	06.05.1995 № 84-I	https://lex.uz/ru/docs/2738729
15.	C103 - Maternity Protection Convention (Revised), 1952 (No. 103)	Decree of Oliy Majlis of the Republic of Uzbekistan "On the accession of the Republic of Uzbekistan to the Convention 103 on the protection of motherhood, adopted in Geneva in 1919 and revised on June 28, 1952."	06.05.1995 № 85-I	https://lex.uz/ru/docs/2738857
16.	C135 - Workers' Representatives Convention, 1971 (No. 135)	Decree of Oliy Majlis of the Republic of Uzbekistan "On the ratification of the convention on the protection of the rights of representatives of workers in the enterprise and the opportunities provided to them"	30.08.1997 № 494-I	https://lex.uz/ru/docs/1198735
17.	C154 - Collective Bargaining Convention, 1981 (No. 154)	Decree of Oliy Majlis of the Republic of Uzbekistan "On the Ratification of the Convention on the Facilitation of Collective Bargaining."	30.08.1997 № 495-I	https://lex.uz/ru/docs/1198753

№	Convention title	Name of national document of ratification	Date of adoption and registration number	Ссылка на документ в lex.uz
18.	C187 - Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187)	Law of the Republic of Uzbekistan "On the Ratification of the Convention of the International Labor Organization No. 187 on the Fundamentals for the Promotion of Safety and Health at Work (Geneva, 15 June 2006)"	04.06.2021 № 3PY-693	https://lex.uz/ru/docs/5443936
19.	C167 - Safety and Health in Construction Convention, 1988 (No. 167)	Law of the Republic of Uzbekistan "On the Ratification of the Convention of the International Labor Organization No. 167 on Safety and Health in Construction (Geneva, June 20, 1988)".	07.02.2022 № 3PY-750	https://lex.uz/ru/docs/5849662
20	P029 - Protocol of 2014 to the Forced Labor Convention, 1930	Law of the Republic of Uzbekistan "On the Ratification of the Protocol to Convention 29 of the International Labor Organization of 1930 on Forced Labor (Geneva, June 11, 2014)"	25.06.2019 № 3PY-545	https://lex.uz/ru/docs/4386775

ANNEX IV. LIST OF PESTICIDES AND CHEMICALS

This information has been removed as it falls within the exceptions to disclosure specified in para 17 (2.v) of ADB's Access to Information Policy 2018.

ANNEX V. SITE SELECTION AND LAND ALLOCATION

Land parcels allocated for the Project in Phase I were brownfield sites with a long track record of cotton and wheat cropping, though a number of parcels were not farmed in the recent past due to degradation of various farming infrastructure and soil due to neglect and poor repair and maintenance. They were previously leased as individual cotton farms and as such treated as legal entities in Uzbekistan. Before the Project 2,897 cotton farms operated in the Project footprint.

The land re-allocation process was started in August 2018, and land reallocation and acquisition processes have been managed by the District Khokimiyats in compliance with the national land laws and regulations. By December 2018, the Project had acquired 54,196ha of cotton land in Kashkadarya and Sirdarya regions (27,637ha and 26,559ha respectively) using land lease agreements (LLA) between the Company and respective districts Khokimiyats for 49 years. In total 1,155 cotton farms (including 65 female-headed farms) were approached by the Government in the land acquisition process and 1,068 farms (including 12 female-headed farms) agreed to terminate their existing land lease agreement, 87 farms decided to continue their own operations, and four households requested and received the replacement land. Previous land acquisition did not involve any physical displacement, as the land has always been used for farming operations and does not accommodate any residential or commercial structures (such as houses, or small businesses). All farmers who agreed to terminate their respective LLAs were offered to join FE “Indorama Agro” LLC and work full-time based on long-term labor contracts. According to ESIA, approximately 45% of the farmers (or 481 people of a total of 1,068) who terminated their land lease agreements agreed to join FE “Indorama Agro” LLC and were working for IAL at the time of ESIA preparation. The acquired lands were consolidated in 22 cotton farming sub-districts in Nishon, Kasbi, Oqoltin, and Sardoba districts based on the existing farming sub-district arrangements.

According to ESIA, in Phase II, the land in two other regions of Uzbekistan will be acquired, including Jizzakh region and Fergana region. This land acquisition is likely to be completed before the end of 2023. No details of the Phase II land acquisition were available at the time of writing the ESIA Report or made available to E&S Consultants during the preparation of this report.

For its farming operations IAL uses two farming schemes: (i) Direct farming: a scheme whereby the Company has the land rights through land lease agreements with the local GoU and pays its own staff to farms. This LRP refers to this as land acquisition for direct farming; (ii) Contract farming: a scheme whereby the Company engages local cotton farms to grow and deliver harvested cotton to the Company via supply contracts for processing. In Kashkadarya both farming schemes (direct and contract) are used, while IAL operations in Sirdarya region include only direct farming. The current (2022) land use of IAL for its direct and contract farming operations in both regions is summarized in table 1 below.

Table 1. Land use area and number land plots under direct/contract farming (by region)

Data	Kashkadarya region			Sirdarya region		
	Cereals	Cotton	Total	Cereals	Cotton	Total
Land area, ha (direct farming)	11939	10850	22789	12689	10626	23315
Number of land plots (direct farming)	613	558	1171	710	381	1091
Land area, ha (contract farming farming)			15992	NA	NA	NA

Number of land plots (contract farming)			1506	NA	NA	NA
Number of contract farmers (contract farming)			944	NA	NA	NA

As of 2022, the contract farming operations are implemented in Kashkadarya region only and involve 944 farmers operating on 1506 plots with a total area of 15,992 ha. In the case of contract farming, the land is provided to the farmer and IAL only signs a contract with cotton farms that grow cotton/cereal on their land and deliver harvested crops to IAL. According to IAL, no contracts were terminated with any contract farmer during the last three years.

The land lease agreements for the areas provided to IAL for direct farming are provided in table 2 below. According to the reviewed lease agreements, the total area under direct farming is 54,153.50 ha, including 27,637.0 ha in Kashkadarya and 26,516.5 ha in Sirdarya regions.

Table 2. Land allocation for direct farming

Location	Date and number of document	Agreement for long-term land lease	Purpose of land use	Total area, ha	Irrigated area, ha	Land in poor condition	Land lease duration	Remark
Kashkadarya Region								
Kasbi district, mahallas Nazartepa, Kamashi, Pakhtakor, Chulkuvar	Decision of khokim of Kasbi district, № X-200/11, issued on 26.11.2018	Lease agreement №3 registered by cadaster of Kasbi district on 14.02.2020	Growing and export of raw cotton	13,088.0	12,610.0	191.0	Long-term, 49 years	In decision of choking the lease period is 30 years, in lease agreement 49 years.
Nishan district, mahallas Oydin, Balkhiyak, Kirkkuloch, v Samarkand, Shirinobod, A. Kodiriy, Yangiobod, Kaptarli, Istikbol	Decision of khokim of Nishon district, № X-3178/12 Issued on 30.12.2018	Lease agreement №4/1 registered by cadaster of Nishon district on 20.02.2020	Growing and export of raw cotton	14,549.0	13,001	2,347.0	Long-term, 49 years	
Sirdarya Region								
Oqoltin district, massives Sardoba, R. Musamukhamedov, K. Ukubayev, A. Toirov, Z.M. Bobur	Decision of khokim of Oqoltin district, № 1476 issued on 29.11.2018	Lease agreement № 1 registered by cadaster of Oqoltin district on 30.05.2019	For growing cotton and other agricultural produce	12,727.3	-	-	Long term lease (no duration is mentioned in agreement)	In decision of khokim the land area is 10,000 ha and in lease agreement it is 12,727.3 ha
Sardoba district	Decision of khokim of Sardoba district, № 2630	Lease agreement (number is not mentioned)	For growing cotton and other	13,789.2	-	-	Long-term lease for 49 years	In decision of khokim the land area is 19,850.4 ha and in lease

Location	Date and number of document	Agreement for long-term land lease	Purpose of land use	Total area, ha	Irrigated area, ha	Land in poor condition	Land lease duration	Remark
	issued on 30.11.2018	registered by cadaster of Sardoba district on 04.03.2019	agricultural produce					agreement it is 13,789.2 ha

In addition to direct farming operations, IAL also uses land under the facilities (gins, farm depots, maintenance structures, sheds, and buildings), and residential complexes. The E&S consultants were provided with land use documents for IAL facilities. The land allocation documents received for each site is summarized in table 3 below.

Table 3. Land allocation for facilities

Facility	Location	Cadastre registration date	Cadastre number	Type of property	Name of object	Owner	Ownership right type	Total area, sq. m	Useful area, sq.m.	Remarks
Kashkadarya region										
Mughlon gin and CCP	Kasbi district, mahalla Dustlik	04.09.2020	18:03:10:05:01:0334	Non-residential	Buildings and structures	IAL, 100%	Permanent use	210,324.4	161,798.72	Lien
Fazli gin, storage for fertilizers, office and warehouse	Kasbi district, mahalla Fazli	19.09.2022	18:03:05:02:01:0091	Non-residential	Buildings and structures	IAL, 100%	Permanent use	130,106.65	39,920.64	
Nuriston CCP	Nishon district, mahalla Kaptarli	28.04.2021	18:07:04:02:01:0315	Non-residential	Buildings and structures	IAL, 100%	Permanent use	90,400.00	12,419.66	Lien
Guliston CCP	Nishon district, mahalla Balkhiyak	20.05.2021	18:07:07:01:03:0362	Non-residential	Buildings and structures	IAL, 100%	Permanent use	71,775.00	1,238.53	Lien
Beruniy CCP	Kasbi district, mahalla Chulkuvar	14.10.2019	18:03:11:01:01:0054	Non-residential	Buildings and structures	IAL, 100%	Permanent use	114,722.0	1,171.84	Lien
Office and residential complex in Karshi	Karshi town, mahalla Karshi, Buyuk Turon street	10.03.2021	18:15:01:02:07:6750	Non-residential	Buildings and structures	IAL, 100%	Permanent use	22,500.00	3,411.75	Lien
Sirdarya region										
Residential complex in Guliston	Guliston town, mahalla Buzton, 4 th microdistrict	09.01.2021	12:10:05:01:02:0750	Non-residential	Buildings and structures	IAL, 100%	Permanent use	28,000.00	3,413.76	Lien

Facility	Location	Cadastre registration date	Cadastre number	Type of property	Name of object	Owner	Ownership right type	Total area, sq. m	Useful area, sq.m.	Remarks
Machinery maintenance facilities and structures	Sardoba district, Istiqlol mahalla	01.07.2019	12:05:06:04:05:0007	?	Buildings and structures	IAL, 100%	Permanent use	9,067.00	1,283.10	
Field structure for rest and dining area	Sardoba district, mahalla Burlik, Istiqlol mahalla	18.07.2019	12:05:06:01:08:0002	Non-residential	Building	IAL, 100%	Permanent use	297.0	231,84	
Immovable property	Sardoba district, Malik mahalla	18.06.2022	12:05:01:02:02:0715	Non-residential	Building	IAL, 100%	Permanent use	18,000	699.50	
CCP in Sh. Rashidov, structures for mulberry silkworm growing			12:05:06:02:03:0011	Non-residential	Buildings and structures	IAL, 100%	Permanent use	10,9180.16	43,980.36	

ANNEX VI. PHOTOGRAPHS OF COMMUNITY-LEVEL SUPPORT PROJECTS



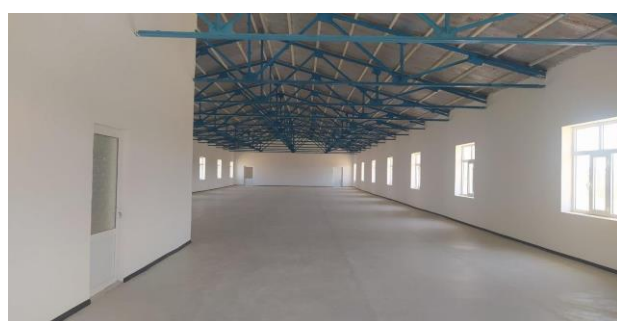
Renovation on kindergarten



Establishes mulberry plantations



Greenhouses built by IAL in Kasbi and Nishon districts



Sewing factories built by IAL in Kasbi and Nishon districts

ANNEX VII. IDENTIFYING AND MANAGING IMPACTS ON ETHNIC MINORITIES

According to the information published by the State Committee of the Republic of Uzbekistan on Statistics, the population of Uzbekistan as of 1 January 2021³⁵ comprised 34.6 million people and was composed of different ethnic groups (nationalities), including Uzbeks (over 29.2 million people, which is 84.4% of the total population) followed by Tajiks (around 1.7 million people, which is 4.9% of the total population), Kazakhs (around 821 thousand people, which is 2.4%), Karakalpaks (around 753 thousand people, which is 2.2%), Russians (around 720 thousand people, which is 2.1%), Kyrgyz (around 292 thousand people, which is 0.8%), Tatars (around 187 thousand people, which is 0.6%). Other nationalities comprise 0.5 % each or less and include Turkmen, Tatars, Koreans, Ukrainians, Azeri, Byelorussians, and others. It is expected that more reliable information will become available as a result of the Census planned to be carried out in 2022 (the last Census was carried out in 1989).

Ethnic composition of the population of Uzbekistan is provided in table 1 below. Based on the information that E&S consultants were able to collect from informal sources, it was noted that in the project areas the majority of the population is represented by Uzbeks, followed by Karakalpaks (in Karakalpakstan), and smaller groups of Kazakhs, Russians, Turkmen, Tatars, Tajiks, Kyrgyz, Koreans, Ukrainians, Armenians, Byelorussians, Azerbaijanis, Moldavians, Georgians, (representatives of other nationalities constitute less than 1000 people per project region).

IAL established a multicultural diversity workplace, including about 200 expats engaged mostly in managerial, advisory and professional jobs. Majority of workforce for local unskilled / semi-skilled jobs is represented by locals engaged from areas where IAL operations are located. In the meantime, for local jobs requiring specific skills the employment is provided based on previous experience and skills irrespectively of nationality and area of residence in Uzbekistan. No groups with special language/consultation/engagement needs prompting for special support were identified during the audit.

Table 1. Ethnic composition of population of Uzbekistan

Nationality	Uzbekistan	
	Approximate number of people, mln	Percentage (%)
Uzbek	29.2	84.4
Tajik	1.7	4.9
Kazakh	0.82	2.4
Karakalpak	0.75	2.2
Russian	0.72	2.1
Kyrgyz	0.29	0.8
Turkmen	0.21	0.6
Tatar	0.19	0.5
Korean	0.17	0.5
Other*	0.55	1.6
Total	34.6	100.00

³⁵ www.stat.uz; <https://www.gazeta.uz/ru/2021/08/20/ethnic-groups/>

No ancestral lands were used for construction of IAL facilities and for farming operations. Ethnic groups, other than major ones, settled in the area many years ago. All ethnic groups are fully integrated into the Uzbek majority, having the same access to land and natural resources, health, education, livelihood systems, and social security status. None of these ethnic groups maintain cultural and social identities separate from mainstream Uzbekistan's society fitting the ADB definition of Indigenous Peoples, as defined in ADB SPS (paragraph 6, Safeguard Requirements 3 of ADB SPS, 2009): (i) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (ii) collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories; (iii) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (iv) a distinct language, often different from the official language of the country or region; were affected by the Project.

Based on the available information, the proposed Project is not expected to have impacts on indigenous peoples or vulnerable ethnic groups and can be categorized C for Indigenous Peoples.

ANNEX VIII. PHOTOGRAPHS MADE DURING VISIT TO KASHKADARYA REGIONP



Site plan and directions to facilities



Weighting area



Administrative area



Gin area



Gin area



Packing area



Biolaboratory





Grievance redress box and its location area in Fazli



Toilet and shower facilities in Fazli



Toilet and shower facilities in Mughlon



Toilet and shower facilities in Nuriston



Dining area in Fazli



Health and safety related banners in facilities located in Kashkadarya region



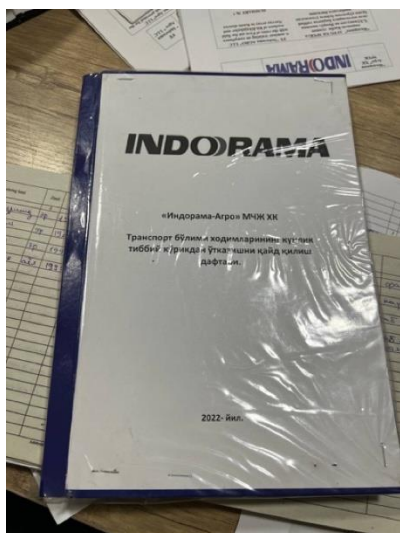
Employees in PPE



Issues with PPE
(no ear plugs, improper
wearing of helmets)

Dangerous areas marked with yellow lines.

Safety banner by the corner



Log on drivers' medical checkup



Paramedics in medical station in Fazli



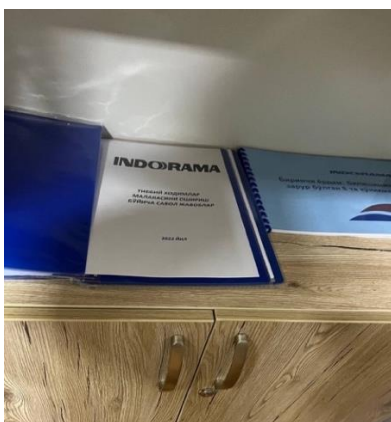
Cabinet and fridge for storing the medicine and medical supplies



No	List of Medical Aids	DORILAR RO'YXATI	Chiqarish shaksi
1	Amalgamatsiyon TSL	Amalgamatsiyon TSL	Amalgamatsiyon TSL
2	Amalgamatsiyon TSL	Amalgamatsiyon TSL	Amalgamatsiyon TSL
3	Amalgamatsiyon TSL	Amalgamatsiyon TSL	Amalgamatsiyon TSL
4	Amalgamatsiyon TSL	Amalgamatsiyon TSL	Amalgamatsiyon TSL
5	Amalgamatsiyon TSL	Amalgamatsiyon TSL	Amalgamatsiyon TSL
6	Amalgamatsiyon TSL	Amalgamatsiyon TSL	Amalgamatsiyon TSL
7	Amalgamatsiyon TSL	Amalgamatsiyon TSL	Amalgamatsiyon TSL
8	Amalgamatsiyon TSL	Amalgamatsiyon TSL	Amalgamatsiyon TSL
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49	Amalgamatsiyon TSL	Amalgamatsiyon TSL	Amalgamatsiyon TSL
50	Amalgamatsiyon TSL	Amalgamatsiyon TSL	Amalgamatsiyon TSL

List of available medicine

Schedule of trainings



Training manuals



Banners inside medical station



Paramedics in medical station in Nuriston



White cylindrical piece that caused accident

Yellow encasings were added to improve safety



Firefighting equipment

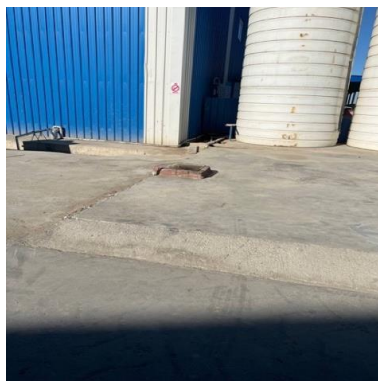
Spill kit



Evacuation plan is among banners



Evacuation plan in Fazli administrative area



Stormwater drain



Wastewater reservoir



Car service and wash area in Fazli



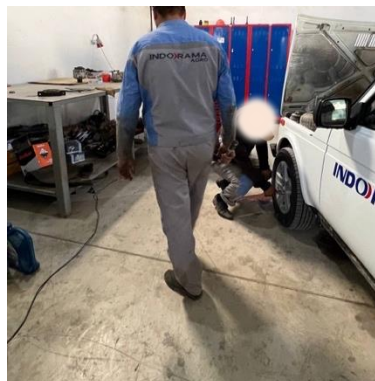
Pressure wash of the car



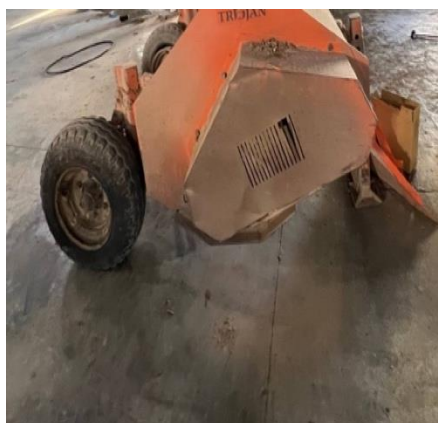
Machinery parking area in Fazli, orange tanks trucks are used for mobile refuelling



Car repair area in Fazli



Car repair area in Nuriston



Machinery garage and repair area in Nuriston



Environmental banner



Workshop in Nuriston



Refueling area in Nishon



Refueling station Fazli (existing one will be moved to the paved area)



Blue tanker trucks are used for chemicals transportation to field



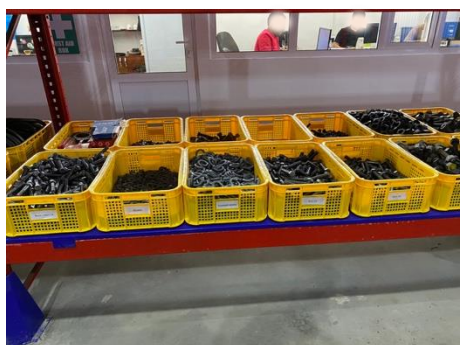
Water tanks



Drain in car wash area



Chemicals storage



Spare parts storage



Storage for supplies



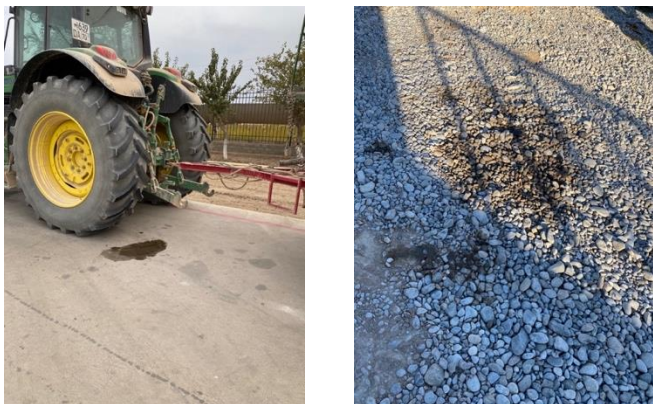
Storage for food items



The oils, lubricants, tires for machinery are also stored in the warehouse, Fazli



Spill kit



Oil spills observed in Fazli and Nuriston sites



Waste containers



Construction waste and used oil drums in Mughlon Wastewater reservoirs

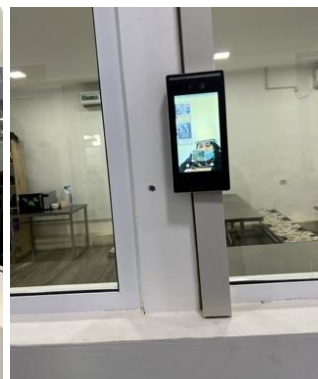
ANNEX IX. PHOTOGRAPHS MADE DURING VISIT TO SYRDARYA REGION



Employee registration logs



Electronic login system



Directions to facilities



Internal roads



Warehouse facilities



Gin facility



Maintenance area



Cotton collected by machinery



Cotton collected manually for seeds



Red grievance boxes in Toirov without marking



Red box with SDS mistaken for grievance box



Grievance boxes in Sardoba



GRM poster in mahalla



Toilet and shower facilities at different sites



Rashidov



Istiqlol





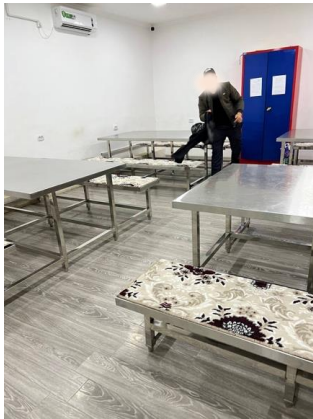
Clothing storage area



Dining area in Toirov



Dining area preferred by women (Toirov)



Dining area Rashidov



Dining area Istiqlol



Pooling of water next to toilet area



Apartment buildings in Rashidov



Apartment building in Istiqlol



Storage area for PPE



Workers using PPE





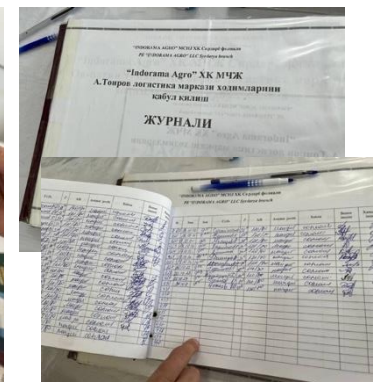
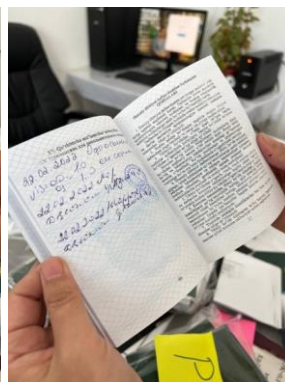
Eye wash and shower for workers working with chemicals



Worker in uniform



One of training rooms in Sirdarya and banners



Medical book of employee, records are regularly updated

Medical log books



Toirov



Istiqlo



First aid kit in office



Firefighting equipment



Evacuation plan Toirov



Well (Istiqlo)l)



Car wash area with drains (Rashidov)



Wastewater collection reservoir (Istiqlo)l).



Drains by garage (Toirov)



Wastewater collection reservoirs (Toirov)



Machinery garage and service areas (Rashidov)



Storage area with spill kit (Rashidov)



Fuel station (Toirov)



Machinery storage area (Toirov)



Waste containers



Waste containers without labels

Containers with scrap metal



Used oil drums

Oil spills (Istiqlol)



Area for collection of chemicals packaging waste (Toirov)

**ANNEX X. PHOTOGRAPHS MADE DURING SITE VISIT TO CONTRACT FARMING AREAS,
AND DISCUSSIONS WITH CONTRACT FARMERS AND COTTON PICKERS**



Bus to transport pickers



Earth roads and truck with collected cotton



Toilet



Banner on prohibition
of forced labor



Cotton pickers at work



Meeting with group leader