



Independent
Project
Accountability
Mechanism

Compliance Assessment Report

Indorama Agro Capex Loan and Indorama Agro Working Capital
Loan

EBRD Project Numbers 50879 and 51011

Case 2023/09

November 2024

The Independent Project Accountability Mechanism (IPAM) is the European Bank for Reconstruction and Development's (EBRD) accountability mechanism. IPAM independently reviews issues raised by individuals or organisations concerning Bank-financed projects that are believed to have caused or be likely to cause harm. The purpose of the mechanism is to facilitate the resolution of social, environmental, and public disclosure issues among project stakeholders; to determine whether the Bank has complied with its Environmental and Social Policy and the project-specific provisions of its Access to Information Policy; and, where applicable, to address any existing noncompliance with these policies, while preventing future non-compliance by the Bank.

For more information about IPAM, contact us or visit www.ebrd.com/project-finance/ipam.html

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How to submit a Request to the IPAM

Concerns about the environmental and
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[https://www.ebrd.com/project-
finance/ipam.html](https://www.ebrd.com/project-finance/ipam.html)

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Unless otherwise indicated capitalised terms used in this report are those as set forth in the 2019 IPAM Project Accountability Policy.

List of Abbreviations

ADB	Asian Development Bank
AIP	EBRD Access to Information Policy
BCI	Better Cotton Initiative
CAP	Corrective Action Plan
CLO	Community Liaison Officer
EBRD	European Bank for Reconstruction and Development
ESAP	Environmental and Social Action Plan
ESD	EBRD Environment and Sustainability Department
ESIA	Environmental and Social Impact Assessment
ESMMP	Environmental and Social Management and Monitoring Plan
ESP	Environmental and Social Policy (in this case the 2014 ESP)
GIP	Good International Practice
GoU	Government of Uzbekistan
GRM	Grievance Redress Mechanism
IAL or the Client	FE Indorama Agro LLC
IESC	Independent Environmental and Social Consultant
IFC	International Finance Corporation
ILO	International Labour Organisation
I-SEP	Interim Stakeholder Engagement Plan
IPAM	Independent Project Accountability Mechanism
LLAs	Land Lease Agreements
LLC	Limited Liability Company
LRP	Livelihood Restoration Plan
NTS	Non-Technical Summary
NUW	Nano Unit Worker
NUC	Nano Unit Contractor
OCCO	EBRD Office of the Chief Compliance Officer
OHS	Occupational Health and Safety
PAP	2019 Project Accountability Policy
PSD	Project Summary Document
PR	EBRD Performance Requirements
PSD	Project Summary Document
ToRs	Terms of Reference

Executive Summary

In 2018, the Government of Uzbekistan (GoU) launched a programme for the creation of cotton farming clusters¹ to be operated by private investors committed to growing cotton and establish processing and/or manufacturing facilities for end use of cotton within the country. The programme seeks to reduce the role of the government in cotton production, create skilled jobs and position Uzbekistan as an exporter of textiles and garments rather than raw cotton.

EBRD is funding FE “Indorama Agro” LLC (IAL) through two loans of up to US\$70 million (see table below), in aggregate, to support IAL’s capital expenditure and working capital needs. The objective is to promote mechanised cotton harvesting and bring significant environmental and operational improvements including: (i) land levelling and alternative irrigation systems to optimise water use; (ii) effective application of fertilisers; (iii) upgrades of water delivery and melioration systems; and (iv) improved crops stock management.

Transaction	Amount
Indorama Agro Capex Loan (50879)	US \$ 60 million
Working Capital Loan (51011)	US \$ 10 million

The loans were approved by the Board on **10 February 2021** and classified as category A under the Bank’s **2014 Environmental and Social Policy**. The [ESIA Package](#) was disclosed on 24 April 2020. IFC is also providing funding to the Project and is working in close collaboration with EBRD.

On 3 August 2023, workers and farmers affected by the Project filed a Request with IPAM represented by two international civil society organisations: Uzbek Forum for Human Rights and CEE Bankwatch Network. They are raising allegations of loss of livelihoods, violation of labour rights, lack of meaningful stakeholder engagement, inadequate assessment of impacts, lack of information disclosure and negligence of health and safety procedures. As an overarching issue, they have raised allegations of intimidation, reprisals and coercion impacting those that raise concerns (workers, farmers, their families and civil society organisations supporting them).

They have requested that IPAM considers their case under the compliance function as the CSOs have already engaged with both the Client and Bank Management extensively before coming to IPAM, but the engagement has, according to them, failed in improving the conditions of the workers and farmers.

As required by the 2019 Project Accountability Policy, IPAM has reviewed the Request, project documents, Management Response; and engaged with Requesters, the Client and Management to determine if the case meets the two criteria set in the PAP as requirements to initiate a compliance review.

After preliminary analysis (as required by the PAP provisions), **IPAM has determined that the Case is eligible for a compliance review** whereby the seven issues raised in the Request will be investigated to determine if the Bank has complied with the relevant provisions of the 2014 Environmental and Social Policy and the 2019 Access to Information Policy.

¹ A cotton/textile cluster is 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 manufacturing facilities for end use of cotton within the country.

The scope of the compliance review process is established in the terms of reference (ToRs) presented in Annex 1. These ToRs were consulted with the Parties prior to finalising the compliance assessment stage.

As next steps, IPAM will disclose the Compliance Assessment Report in its virtual registry (<https://www.ebrd.com/ipam-cases>) under Case 2023/09 after submitting the report to the Board, the President and the Parties.

The compliance review stage will start in November 2024 and is expected to be completed by the end of the third quarter of 2025.

Given the allegations of retaliation and the incidents reported to date, IPAM has engaged an external consultant to advise the compliance team so as to ensure that all stakeholders assisting this investigation do not face the risk of intimidation or retaliation.

ACKNOWLEDGEMENTS

The Independent Project Accountability Mechanism (IPAM) would like to thank the Requesters, EBRD Management and the Client for their support, clarifications and cooperation during the preparation of this Compliance Assessment Report.

IPAM would also like to thank all Parties that have assisted us in the process of identifying risks of retaliation and proposing mitigation measures that can guarantee safe access to the Requesters and that they do not face reprisals for communicating with IPAM.

1. Background

1.1. The Request²

On 3 August 2023 the Independent Project Accountability Mechanism (IPAM) received a [Request](#) from the **Uzbek Forum for Human Rights** (Uzbek Forum), an international Civil Society Organisation based in Berlin, as a representative of 15 current, former employees and contractors of FE Indorama Agro LLC (the Client or IAL). **CEE Bankwatch Network** (Bankwatch), an international Civil Society Organisation, is acting as an adviser. The Requesters, who asked confidentiality due to fear of retaliation, raise allegations on 7 topics in connection with the implementation of the Cotton Farming Project in Uzbekistan, which is funded by EBRD through two transactions: [Indorama Agro Capex Loan \(OP ID 50879\)](#) and [Indorama Agro Working Capital Loan \(OP ID 51011\)](#), as summarized in Table 1.

Table 1. Issues and Allegations Raised in the Request

Issues raised	Allegations by the requesters	Related PRs
1. Loss of livelihoods	<ul style="list-style-type: none"> The commitment that farmers would be offered employment with the company, after land lease terminations, was not fully met. No compensation/livelihood restoration alternatives for the termination of land lease for farmers who did not accept the employment offer. IAL has made hundreds of workers redundant, including 1,200 irrigators and former farmers employed as brigadiers/Nano Unit Workers (NUWs) as part of a restructuring process that misclassified permanent workers as service providers. Exacerbation of loss of livelihoods through excessive pressure on farmers through court actions. NUC contracts only provide for payment of 30% of costs for farmworkers. 	PR1 PR5
2. Violation of labour rights	<ul style="list-style-type: none"> Conversion of contractual relationship from full time employees to Nano Unit Contractor (NUC), depriving them of their right to work-related benefits. Payments to NUC reduced through classification of permanent workers as seasonal contractors. Obstruction of freedom of association and collective bargaining – as consequence of changing the status of workers from employees to service providers (NUCs). IAL employees report not having copies of their employment contracts and have been unfairly terminated. Coercion in relation to contract farmers to sign blank contracts with IAL without a minimum price and/or production targets. Violation of contract terms and agreements. Late payments to contract farmers for delivered cotton. Non-payment and late payment of bonuses, lack of access to drip irrigation, and provision of expired fertilizers. Interference on freedom of association through retaliation, intimidation. 	PR2
3. Negligence of health and safety procedures	<ul style="list-style-type: none"> Serious accidents including one fatality due to lack of training and oversight. Protective gear and appropriate equipment have not been made available to workers. 	PR2 PR4

² The full Request is not available in the case registry for confidentiality purposes. A summary of the Request can be accessed at [Case 2023/09](#).

Issues raised	Allegations by the requesters	Related PRs
	<ul style="list-style-type: none"> Lack of training for handling hazardous substances. Use of certain chemical substances and fertilisers that harm human health. 	
4. Inadequate environmental and social impact assessment and mitigation	<ul style="list-style-type: none"> Improper assessment of environmental risks, particularly wastewater pollution and soil contamination Lack of mitigation measures commensurate to the risk Risks of pesticides has been vastly underestimated. 	PR1 PR3 PR4
5. Lack of meaningful Stakeholder Engagement	<ul style="list-style-type: none"> Public consultations carried out in an inappropriate manner. Reclassification of contracts without consultation with workers and/or trade union. Stakeholder concerns disregarded by the Client. Information disclosure has been limited and mostly in English. Ineffective grievance mechanism, lacking impartiality, safety measures and third-party involvement. 	PR1 PR10
6. Retaliation and threat of reprisals	<ul style="list-style-type: none"> Retaliation and threat of reprisals on contract workers, farmers, family members, and workers' representatives (leaders of the trade union) who speak out against IAL. Intimidation to CSOs, and their family members, for carrying out work as independent labour rights monitors. 	PR1 PR 2 PR10
7. Breach of access to information	<ul style="list-style-type: none"> The monitoring reports are not disclosed. Mitigation plans are not disclosed. Bank has failed to update the Project's PSD 	AIP

In general, Requesters claim that the EBRD environmental and social due diligence and monitoring of the Project has been deficient, and that the Bank has failed to address the harms caused to the Requesters.

In particular, the Requesters claim that they were not meaningfully consulted nor properly compensated in the case of termination of their land leases, losses of jobs and supplementary income; that they were coerced to sign employment contracts containing unfair terms and conditions without consultation with the trade union or workers, misclassifying their employment status and resulting in the elimination of trade union membership; that national labour laws have not been followed, health and safety procedures have been grossly neglected; and that they have been forced to use expired fertilizers, affecting crop yields.

Furthermore, they allege that many environmental risks such as wastewater pollution and soil contamination were overlooked at assessment stage resulting in a lack of mitigation measures, that risks associated with pesticides, and use of some that are restricted in the EU, have been vastly underestimated.

They claim that the project grievance mechanism is ineffective and has failed to provide remedy.

Finally, the Requesters allege that they have experienced intimidation and reprisals in the form of unfair income deductions, dismissals, late delivery of farming inputs, threats of land lease terminations and threats of criminal charges to silence those who speak up.

Given the risks of retaliation, lack of resources of the Requesters, and previous efforts to reach a solution with IAL through dialogue, facilitated by EBRD and IFC, the Requesters have asked for their concerns to be considered under the Compliance function of IPAM.

1.2. The Project³

In 2018, the Government of Uzbekistan (GoU) launched a programme for the creation of cotton farming clusters⁴ to be operated by private investors committed to growing cotton and establish processing and/or manufacturing facilities for end use of cotton within the country. The programme seeks to reduce the role of the government in cotton production, create skilled jobs and position Uzbekistan as an exporter of textiles and garments rather than raw cotton.

In response to the GoU initiative, Indorama Corporation Pte. Ltd. (the Sponsor) established a Project Company (FE “Indorama Agro” LLC, IAL or Company) to develop and implement the cotton farming scheme (henceforth referred to as the Project). FE “Indorama Agro” LLC also started growing its own cotton with rotation crops for captive consumption at the existing spinning facility in Kokand operated by FE “Indorama Kokand Textile” JSC (an indirect subsidiary of the Sponsor).

The GoU allocated to IAL 54,196 ha of cotton land in Kashkadarya and Syrdarya regions for direct farming under a lease agreement for 49 years.

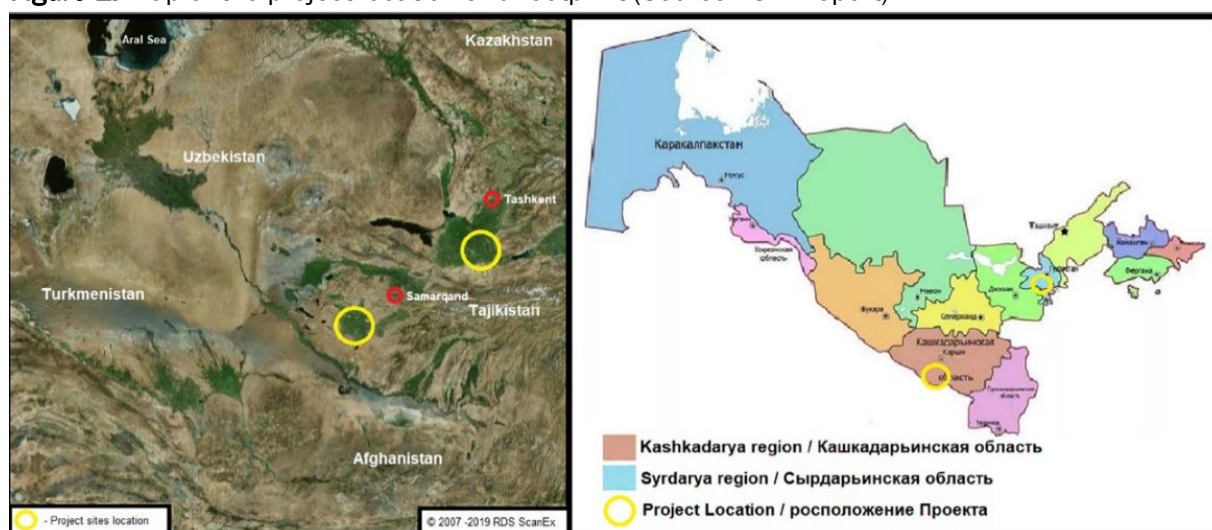
EBRD and IFC are providing long-term financing to help IAL establish modern cotton production to supply non-contaminated raw materials to the IFC-invested spinning facility in Kokand.

EBRD is funding IAL through two loans of up to US\$70 million (see table below), in aggregate, to support IAL’s capital expenditure and working capital needs. The objective is to promote mechanised cotton harvesting and bring significant environmental and operational improvements including: (i) land levelling and alternative irrigation systems to optimise water use; (ii) effective application of fertilisers; (iii) upgrades of water delivery and melioration systems; and (iv) improved crops stock management.

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The loans were approved by the Board on **10 February 2021** and classified as category A under the Bank’s **2014 Environmental and Social Policy**. The [ESIA Package](#) was disclosed on 24 April 2020.

Figure 1: Map of the project location and footprint (Source ESIA Report)



³ The information is sourced from the EBRD’s [Project Summary Document](#) and the [Non-Technical Summary \(Dec 2020\)](#)

⁴ A cotton/textile cluster is 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 manufacturing facilities for end use of cotton within the country.

Initially, during Registration stage, IPAM included a third transaction, **Indorama Kokand WC II (OP 54302)**, based on the allegations of distribution of expired fertilisers that were produced by Indorama Kokand Fertilisers and Chemicals JSC. The company is part of the Indorama group, also based in Uzbekistan, and a leading manufacturer of phosphate fertilisers and the supplier of fertilisers for the Project. However, after further analysis during the Compliance Assessment, IPAM found that any responsibility of distribution of expired fertilisers and its impact lies within the Indorama Agro Project only. Therefore, the Indorama Kokand WC II (OP 54302) was not further considered in this assessment.⁵

1.3. IPAM Processing to Date

1.3.1. Registration of the Request

The Request was registered on 4 September 2023 as it met the criteria for Registration established in Section 2.2 (b) of the PAP, and none of the exclusions set out in Section 2.2 (c) of the PAP applied at that stage. The registration of a Request is an administrative step establishing that the following criteria have been met:

- all mandatory information has been provided;
- issues raised relate to specific obligations of the Bank under the 2014 Environmental and Social Policy (ESP) and/or the project-specific provisions of the Access to Information Policy (AIP);
- it relates to a Project that the Bank has approved; and
- the Bank has a financial interest in the Project.

As per the Project Accountability Policy (PAP), due to the risk of retaliation and given the confirmation from the Requesters that problem-solving is not feasible, the case was transferred directly to the Compliance function, where the team initiated the Compliance Assessment process.

1.3.2. Compliance Assessment

The Compliance Assessment process has the objective of determining whether a Request is eligible for a Compliance Review. The determination is based on the case meeting the established criteria to initiate an investigation. Therefore, for Case 2023/09, IPAM initiated its assessment of the Request vis-à-vis the Project to determine if:

- i. upon preliminary consideration, it appears that the Project may have caused, or may be likely to cause, direct or indirect and material harm to the Requesters (or, if different, the relevant Project-affected People); and
- ii. there is an indication that the Bank may not have complied with a provision of the Environmental and Social Policy (including any provision requiring the Bank to monitor Client commitments); or the Project-specific provisions of the Access to Information Policy (AIP), in force at the time of Project approval.

The Compliance Assessment stage has a standard duration of 60 business days from the date of issuance of the Assessment Report. This period may be extended to ensure robust processing or if translation of documents is required. At the end of this stage, a Compliance Assessment Report is prepared containing the findings made by IPAM and its determination on the eligibility of the case from within two alternative outcomes:

⁵ IPAM would like to note that contrary to Management's argument that Requesters should directly reference projects in their Request, the Project Accountability Policy (section 2.1 c iii) only establishes as an obligation that the Request includes "a description of the Project of concern that is sufficient to identify that it is an EBRD investment (e.g. the Project or Client name, the Project location of sector)".

- recommend proceeding to a Compliance Review, having determined that the criteria set out in para. 2.6 (b) are met. In this case, the Compliance Assessment Report is submitted for information to the Board and the President with Terms of Reference for a compliance review.
- recommend closing the case, having determined that the criteria set out in para. 2.6 (b) are not met. In this Case, the Compliance Assessment Report is submitted to the Board for approval on a no objection basis.

1.3.3. Compliance Assessment approach

In this stage, IPAM appraises the Case considering the documentation and information collected and shared by the Parties, as well as any newly gathered Project-specific and publicly available information until the issuance of the Compliance Assessment report⁶. During the process, IPAM:

- engages with the Requester, Bank Management, and the Client, as well as other relevant stakeholders.
- considers Bank Management's written response to the Request, where a Management Response has been requested by IPAM, outlining the steps taken by the Bank to ensure its compliance with the ESP or the AIP; and
- considers the Client's written response to the Request, where the Client has elected to submit a response.

Members of the compliance team held a series of meetings with the Requesters, the Client and Management, and reviewed all documentation provided by the Parties.

At the express request of IPAM, Management submitted a written response and shared with IPAM diverse documentation, as well as responses to specific queries related to the due diligence and monitoring actions undertaken by EBRD in relation to the Project.

The Compliance Assessment Report was circulated with the Parties for comments on the proposed **Terms of Reference** (See Annex 1) before submitting to the Board and the President for information. The report is disclosed in the [IPAM case registry](#) in English and Uzbek under the virtual file for [Case 2023/09](#).

2. EBRD Management Response

EBRD Management submitted its response to the Request in writing on 3 October 2023, where it provided an overview of its key appraisal and monitoring activities, highlighting that EBRD ensured a robust appraisal and monitoring of the project, and that, in cooperation with the IFC, EBRD have supported the Client in a difficult jurisdiction and sector.

Management acknowledges that some of the actions in the Environmental and Social Action Plan have been delayed, but that EBRD with other lenders have been actively pushing for completion of the actions, while maintaining close engagement with stakeholders, including the Representatives of the Requesters.

They comment that EBRD has facilitated dialogue with IAL through the Bank's Civil Society Engagement Unit and the Environmental and Sustainability Department, with IFC acting as co-facilitator. Management, however, expresses frustration by the lack of response from Bankwatch and Uzbek Forum [the Representatives in this case] when information was provided.

⁶ It should be noted that due to caseload pressures and assessment of retaliation risks to Requesters in connection with case processing, the compliance team required a longer period to complete the compliance assessment process than the PAP provides.

As regards the allegations of retaliation, Management strongly reiterates that the Bank does not tolerate retaliation by EBRD clients or other project counterparties against those who voice their opinion regarding the activities of the EBRD or its clients and takes all credible allegations of retaliation extremely seriously. In relation to this, EBRD has required the Client to develop policies related to a Code of Conduct and for training to be provided to raise awareness.

According to the Response, Management considers that they have ensured a robust appraisal and intense monitoring. First through the appointment of an experienced international consultant, Mott MacDonald, for the development of the ESIA package, which included adjustments to manage the Covid-19 restrictions; supporting IAL in the structuring of the ESG team; co-facilitating lender calls; appointing WSP as the Independent Environmental and Social Consultant (IESC); carrying site visits and participating in two IFC-led professional mediation efforts.

In its Response, Management provides detailed responses to the **seven topics** where allegations are raised in the Request which are summarised below in **Table 2**.

Table 2: Management Response to issues raised in Request

Issues raised by the Request	Management Response
1. Loss of livelihoods	<ul style="list-style-type: none"> • The original ESAP disclosed in April 2020 included several actions regarding the Livelihood Restoration Plan (LRP) implementation. The first one was to appoint an international resettlement and livelihood restoration expert at the end of 2021. • The finalisation of the LRP has been delayed due to challenges in collecting accurate data from local authorities. The first draft of the full LRP was submitted in November 2022 and has undergone several revisions, the most recent being completed in May 2023⁷. • Further efforts have been focused on ensuring the implementation of the Client's policies, as well as reconciling the lists of affected farmers and broadening awareness about the grievance redress mechanism amongst the farmers. • Management has seen evidence of efforts to provide alternative benefits but recognises that these efforts require more formalisation in the overall environmental and social management system, including more detailed monitoring.
2. Violation of labour rights	<ul style="list-style-type: none"> • In March 2022 an international firm was appointed to undertake the Labour Assessment required in the ESAP. After several iterations of comments, a corrective action plan was agreed with IAL. A summary of the CAP was disclosed in the IAL ESG Disclosure page in May 2023. • A second international labour consultancy was commissioned in late 2022, to assess the legality of the conversion to NUWs/NUCs, as well as its compliance with national law. A final report was provided to lenders in May 2023 who used the recommendations to follow up with IAL. • Lenders have found limited evidence to substantiate the claim that IAL have worked to eliminate trade union membership by changing the status of workers, nor that there has been a refusal to cooperate with Trade Unions. • The Labour Assessment consultant did hear of allegations of management interference at a regional level but stated that the allegations could not be triangulated and were based on one interviewee and one formal complaint letter submitted to the Trade Union. • The international labour consultancy found that the change from Nano Unit Workers to Contractors may affect the ability to join a Trade Union, but that as registered LLCs, the NUCs would have the ability to join a business association. • Allegations of coercion with relation to contracts, failure to pay as per contract terms were referred to OCCO. Neither the IESC or Labour Assessment investigations have found instances of coercion to sign contracts or refusal to make payments. • The IESC monitoring visits and the Labour Assessment identified inconsistencies with corrective actions provided in the IESC reports. • Any violation of contract terms or failure of payment must be submitted through the grievance process. In addition, EBRD is working with the client to conduct another Labour Assessment that will again look at risks of exploitation.
3. Negligence of health and	<ul style="list-style-type: none"> • Regarding the provision of expired fertilisers, EBRD has raised this issue with IAL ESG Management.

⁷ At the time of completion of this Compliance Assessment, a new version of the LRP was made available and will be duly considered and analysed during the Compliance Review process.

Issues raised by the Request	Management Response
safety procedures	<ul style="list-style-type: none"> As a result of monitoring visits, IESC has identified corrective actions and will continue monitoring improvement. Corrective actions have included assessing the agrochemical inventory against classifications to World Health Organisation (WHO) and EU standards. Those not approved in the EU have been identified and there is a plan for substitution. A final check is required, and the action remains open in the latest Corrective Action Plan.
4. Inadequate environmental impact assessment and mitigation	<ul style="list-style-type: none"> ESIA considers a wide range of issues from the perspectives of Potential Impact, Sensitivity, Magnitude, Significance, Mitigation/Enhancement Required, and Residual Impact. Cumulative impacts were also considered, generally within the context of each section of the ESIA. IESC reviewed data and information on monitoring and comparison to standards for water and wastewater and have investigated procedures for spraying of agrochemicals.
5. Lack of meaningful Stakeholder Engagement	<ul style="list-style-type: none"> Management considers the engagement with stakeholders adequate, acknowledging that EBRD's extensive efforts should continue to ensure further improvements in Client's engagement activities. The ESIA and engagement took place during the Covid-19 pandemic in line with the guidance the Bank developed for stakeholder engagement during COVID-19 - this limited the ability to conduct in-person engagement. the Interim Stakeholder Engagement Plan referenced in the complaint acknowledges the limitations, yet did provide information on how to provide feedback, as well as information on the grievance mechanism. EBRD and the IESC have seen valid evidence of stakeholder engagement on all visits and provides an account of key evidence collected. EBRD held a specific workshop on the SEP during the IESC's visit in May 2023, EBRD would certainly take feedback received from NGOs on the SEP on board to further improve the document, however no such feedback has been received to date. Management considers that the Grievance Mechanism is operating well and that workers are using the system
6. Retaliation and threat of reprisals	<ul style="list-style-type: none"> Allegations of retaliation of a similar nature were raised initially in February 2021 at a time when ESD and IAL were initiating work on the ESAP. To address the risk of retaliation, EBRD required IAL to develop policies related to a Code of Conduct and other key topics, all of which have been available online in English and Uzbek for at least two years. EBRD required an extensive independent Labour Assessment in 2022 to assess amongst other topics the retaliation allegations. The results of the Labour Assessment were delayed and contentious, as IAL questioned the veracity of some claims made in the initial drafts. After several revisions with the consultant, IAL agreed to accept the Corrective Action Plan in October 2022 and was committed to disclose the high-level results. This disclosure took place in March 2023. No response or comment on the completeness of the Corrective Action Plan was received from the Requesters or other stakeholders. "Summary of Intimidation and Retaliation against Indorama workers and Uzbek Forum monitors" has some incomplete and misleading information: Contrary to the claims, EBRD met with activists and farmers during the June and the October 2022 monitoring visits; EBRD's extensive efforts to support dialogue between the NGOs and IAL is on-going.
7. Breach of access to information	<ul style="list-style-type: none"> EBRD is unable to disclose monitoring reports, however the PSD is regularly updated to reflect the outcomes of EBRD monitoring for this project.

3. Compliance Assessment Findings

In order to determine whether the case is eligible for a Compliance Review, following the approach established in the PAP, IPAM appraised [Case 2023/09](#) considering the documentation and information collected in consultations with the Parties, and other project-related and publicly available information gathered from September 2023 to the date of completion of this Compliance Assessment Report.

Given that the purpose of this assessment is to determine whether to move forward with a compliance review or not, the findings are only of a preliminary nature to determine if the criteria set in the PAP are met. They should not be considered as a determination of IPAM of the state of compliance of the Project vis-à-vis the **EBRD's 2014 Environmental and Social Policy** or the Project-specific provisions of the **2019 Access to Information Policy**.

3.1 Background

Since 2017 the Government of Uzbekistan (GoU) has been introducing a series of measures aimed at improving performance of the cotton sector and reforming the economy. As part of these reforms, the GoU sought to promote the privatisation and diversification of the cotton sector through the introduction of vertically integrated private “cotton clusters”, with the objectives to reduce the role of the government in cotton production, create local jobs, and position Uzbekistan as an exporter of textiles and garments rather than raw cotton.

In 2019, IAL started growing cotton in the Kashkadarya and Syrdarya regions of Uzbekistan under a new scheme of direct farming and contract farming whereby local farmers grow and deliver cotton under contracts whose terms include farmer pre-financing. IAL’s activities were preceded by a land acquisition process undertaken by the GoU for purposes of allocating land for IAL’s cotton cluster. The land acquisition process is described in Section 3.2 of this Report, and a timeline of relevant events before and during the Projects is included at the end of this section.

By the 2022 cotton harvest, there were 134 cotton clusters operating in Uzbekistan, all producing cotton, ginning the cotton and spinning yarn. Some of the clusters also carry out manufacturing activities, including fabrics and ready-to-wear garments. Many clusters use a combination of direct farming where land is leased by the cluster and farmed directly by the company, and contract farming whereby local farmers are engaged to grow and deliver cotton to the cluster. While clusters use a mix, contract farming arrangements are more prevalent, with direct farming representing only 10-20% of the total cluster area⁸.

3.2 About the contextual landscape

Given the nature and range of issues under assessment, IPAM considered it important to form an initial understanding of the contextual landscape in the country and sector where the Project is being implemented. IPAM found that the human rights situation in Uzbekistan remains a key contextual risk. Despite progress made since 2013, including adoption of a National Action Plan to implement recommendations made by UN Treaty Bodies on human rights and the Universal Periodic Review, revived cooperation with UN human rights agencies, and adopting a law to strengthen the Human Rights Ombudsman⁹; there have been continued reports of persons deprived of liberty, politically motivated detentions, and reports of reprisals against those who reported abuses.¹⁰

In relation to use of forced labour in agriculture, a historically significant issue in the agriculture sector, the ILO reported in 2022 that the systematic use of forced labour had been eliminated and that all provinces and districts had very few or no forced labour cases during the 2021 harvest. As of March 2022 the Cotton Campaign boycott of Uzbek cotton has been lifted, following a report by the Uzbek Forum for Human Rights concluding that systematic, state-imposed forced labour was no longer used in the cotton harvest¹¹.

According to the ILO, working conditions in clusters are generally perceived to be better, while wages are perceived to have increased beyond minimum rates. Nonetheless findings indicate that the wage setting approach remains centralized and that labour agreements are not used consistently¹².

⁸ Cotton-Textile Clusters in Uzbekistan: Status and Outlook, World Bank, 2020.

⁹ EBRD Uzbekistan Country Strategy 2018-2023, as approved by the Board of Directors on 19 September 2018.

¹⁰ United Nations Human Rights Council Working Group on the Universal Periodic Review of Uzbekistan, Forty-fourth session, 6–17 November 2023. Compilation of information prepared by the Office of the United Nations High Commissioner for Human Rights.

¹¹ EBRD Uzbekistan Country Strategy 2024-2029, as approved by the Board of Directors on 24 January 2024.

¹² 2021 Third party monitoring of child labour and forced labour during the cotton harvest in Uzbekistan, ILO, 2022.

3.3 Project timeline

Date	Action
2017	IFC launches program to facilitate transformation of the cotton and textile sectors in Uzbekistan
Aug 2018	Decree 632 of 8 August 2018 of the Cabinet of Ministers of the Republic of Uzbekistan “On measures to create a modern cotton-textile production by Indorama (Singapore) in the Republic of Uzbekistan”
Nov- Dec 2018	GoU allocation of land in Syrdarya and Kashkadarya to IAL cluster
2019	IAL starts growing cotton in the Kashkadarya and Syrdarya Regions of Uzbekistan
Sep 2019	Environmental and Social Impact Assessment (ESIA) Scoping Study and initial Stakeholder Engagement Plan (SEP) developed
Dec 2020	Environmental and Social Impact Assessment (ESIA) undertaken by international consultant and submitted to Lenders (EBRD and IFC), including ESIA, LRP, SEP, ESMMP
Apr 2020	ESIA package disclosed to the public on EBRD's website and on the Client's website
Jun 2020	ESIA disclosure and consultations started with affected communities via the Mahallas in the Project regions
Feb 2021	EBRD approves Indorama Agro Capex Loan (50879) and Indorama Agro Working Capital Loan
Apr 2021	Common Terms Agreement are signed by EBRD, IFC and IAL
2021 - 2022	Transition for farmers into employees of IAL
2022–2023	Conversion of contracts for farmers from being employees of IAL into service providers as Nano Unit Contractor (NUC) contract
Jun 2022	First supervision mission by WSP (IESC)
Oct 2022	Second supervision mission by IESC
Jun 2023	Third supervision mission by IESC
Jul 2023	Common Terms of Agreement are amended
Aug 2023	IPAM receives Request

Source: IPAM

3.4 About the alleged harms and their potential linkage with the Project

The Request raises a series of allegations of actual and potential harm to the workers and farmers employer and/or contracted in the Indorama Project. In particular, the Requesters raised allegations of harm in relation to livelihood restoration, labour rights, public participation, and the right to raise concerns on these matters.

The Bank project documentation have correctly identified some of the impacts that could generate harm to Project-affected-People (PAPs).

A major adverse social impact relates to the change in economic activity for the PAPs in relation to the termination of land leases. In the Project's Non-Technical Summary (NTS 2020), the impact was to be addressed through a commitment by the Client to employ all impacted farmers under full-time permanent labour contracts. According to the document, 45% of the farmers (481 people) had agreed to join the company. 500 other farmers had their leases terminated but decided they did not want to work for the Client. The project documentation acknowledges that no information

was available on them. Furthermore, the Project impacted secondary employment with estimated 4,337 farm workers who could have lost jobs.

Table 3 below, summarizes the allegations of harm raised in the Request by identified issue, and IPAM's assessment of their plausibility based on the information gathered at this stage.

Table 3. Assessment of Plausibility of Harm

Issues/Harm raised	Plausibility	Allegations by the Requesters	Preliminary Findings
1. Loss of livelihoods	Plausible	<ul style="list-style-type: none"> The commitment that farmers would be offered employment with the company, after land lease terminations, was not fully met. No compensation/livelihood restoration alternatives for the termination of land lease for farmers who did not accept the employment offer. IAL has made hundreds of workers redundant, including 1,200 irrigators as part of a restructuring process that misclassified permanent workers as service providers. Exacerbation of loss of livelihoods through excessive pressure on farmers through court actions. NUC contracts only provide for payment of 30% of costs for farmworkers. 	<p>The lease terminations took place in 2018 and not all farmers accepted work with IAL.</p> <p>The final LRP was delayed due to challenges in reconciling data of affected farmers between IAL, hokimiyats and the LRP.</p> <p>Alternative benefits have been provided to some, but they have not been formalised nor has detailed monitoring taken place to ensure livelihood restoration.</p> <p>The most recent version of the LRP was just disclosed in 2024, six years after the termination of lease agreements.</p>
2. Violation of labor rights	Plausible	<ul style="list-style-type: none"> Conversion of contractual relationship from full time employees to Nano Unit Contractor (NUC), depriving them of their right to work-related benefits. Payments to NUC reduced through classification of permanent workers as seasonal contractors. Obstruction of freedom of association and collective bargaining – as consequence of changing the status of workers from employees to service providers (NUCs). IAL employees report not having copies of their employment contracts and have been unfairly terminated. Coercion to sign blank contracts with IAL without a minimum price and/or production targets. Violation of contract terms and agreements Late payments for delivered cotton. Non-payment and late payment of bonuses, lack of access to drip irrigation, and provision of expired fertilizers. Interference on freedom of association through retaliation, intimidation. 	<p>The conversion of contracts was not consulted with the lenders before it was initiated.</p> <p>Two labour assessments have been commissioned by the Lenders and have resulted in corrective action plans.</p> <p>A final labour assessment report from May 2023 - found that the change from NUWs to Contractors may affect the ability to join a Trade Union, but that as registered LLCs, the NUCs would have the ability to join a business association.</p> <p>Allegations of coercion with relation to contracts, failure to pay as per contract terms were referred to OCCO.</p> <p>There have been findings of inconsistency and need for corrective actions.</p>
3. Negligence of health and safety procedures	Plausible	<ul style="list-style-type: none"> Protective gear and appropriate equipment have not been made available to workers. Lack of training for handling hazardous substances. 	<p>A substitution plan has been put in place for banned products that had been used.</p> <p>EBRD has raised the issue of expired fertilisers. with IAL</p>

Issues/Harm raised	Plausibility	Allegations by the Requesters	Preliminary Findings
		<ul style="list-style-type: none"> Use of certain chemical substances and fertilisers that harm human health. 	IESC has found that health and safety procedures were lacking and training was needed. Corrective action plans have been needed.
4. Inadequate environmental and social impact assessment and mitigation	Plausible	<ul style="list-style-type: none"> Significant environmental risks overlooked and inadequately estimated in the ESIA, lacking effective mitigating measures. Chemical exposure and pollution of water streams Use of certain chemical substances and fertilisers generates adverse impacts and includes pollution and human health risks 	Corrective actions included assessing the agrochemical inventory against classifications to WHO and EU standards. Management comments that they have not been able to follow up other allegations
5. Lack of meaningful Stakeholder Engagement	Plausible	<ul style="list-style-type: none"> Public consultations carried out in an inappropriate manner. Reclassification of contracts without consultation with workers and/or trade union. Stakeholder concerns disregarded by the Client. Information disclosure has been limited and mostly in English. Ineffective grievance mechanism, lacking impartiality, safety measures and third-party involvement. 	<p>Management acknowledges that the ESIA process and engagement took place during the Covid-19 pandemic - limiting the ability to conduct in-person engagement.</p> <p>Management has been reviewing how the conversion of contracts took place.</p> <p>Contextual risk has not been considered in the setup of grievance mechanism.</p> <p>Allegations of intimidation and retaliation have been raised when workers or farmers raise concerns.</p>
6. Retaliation and threat of reprisals	Plausible	<ul style="list-style-type: none"> Retaliation and threat of reprisals on contract workers, farmers, family members, and workers' representatives (leaders of the trade union) who speak out against IAL. Intimidation to CSOs and their family members for supporting the workers and farmers 	<p>Allegations of retaliation of a similar nature were raised initially in February 2021 at a time when ESD and IAL were initiating work on the ESAP. To address the risk of retaliation, EBRD required IAL to develop policies related to a Code of Conduct and other key topics, all of which have been available online in English and Uzbek for at least two years.</p> <p>An extensive independent Labour Assessment in 2022 included the retaliation allegations.</p> <p>IPAM has in file a comprehensive list of reported incidents.</p> <p>The contextual landscape has to be considered in the analysis.</p>
7. Breach of access to information	Plausible	<ul style="list-style-type: none"> The monitoring reports are not disclosed. Mitigation plans are not disclosed. Bank has failed to update the Project's PSD 	Disclosure obligations under the AIP and its directive are limited. However, it has come to IPAM's notice that the obligation of annual updating of the PSD has not taken place.

The NTS recognises that the displaced local farmers who lost their employment have been exposed to a major unmitigated adverse impact of land use changes and economic displacement. These farmers used to be engaged in the cotton farming business but have limited skills and resources to cope with the transformation; given the few alternative employment or business opportunities in the area, many could be forced to migrate to other regions or countries¹³.

¹³ Uzbekistan: Cotton Farming Project ESIA. Non-Technical Summary, 16 December 2020.

The Project committed to mitigating the impact and for that purpose a Resettlement Policy Framework was developed to plan measures on livelihood restoration and immediately survey the land area allocated to the Client to identify, agree, and compensate affected farmers.

Although the ESAP incorporates relevant actions to mitigate some of the identified risks and impacts, its execution suffered certain delays. As Management reported in its response to IPAM, the finalisation of the LRP was delayed in particular in relation to challenges in collecting accurate data from local authorities, with reconciliation issues between different data bases (employment data managed by the IAL Human Resources team, and affected farmers as per the revised LRP). Considering that the termination of leases took place in 2018, the delays in surveying and implementing mitigation measures provides a high plausibility of direct material harm.

Furthermore, the Request alleges that farmers have faced a forced conversion of contracts from full time employees to service providers (NUCs). Management argues that the grievance mechanism is set up to address this type of issues. However, if one considers the contextual landscape in relation to intimidation and retaliation, the risk involved in voicing concerns would reduce the appetite of workers to file complaints. Therefore, IPAM considers that the conversion of contracts could generate harm to those impacted, particularly if contractual conditions do not ensure similar protections as those provided to the workers under full-time permanent contracts.

Other allegations include health and safety issues and the use of fertilisers banned in the EU. Should these allegations prove to be true, workers would be facing potential harm due to the implementation of the Project.

Finally, IPAM received in the Request a detailed description of retaliation incidents ranging from threats of wage withholding and contract termination for failure to meet contract terms, to intimidation for voicing concerns. Bank Management has identified retaliation as a potential risk and required the Client to develop anti-retaliation policies, as well as to assess potential risks through a second labour assessment. However, Bank Management argues that contrary to these claims, EBRD has met with activists and farmers during the June and the October 2022 monitoring visits, and none raised concerns in this regard. At this point IPAM cannot comment further on this without further information on the measures the Bank may have taken to ensure that interviewees could safely engage with them. However, given the contextual risk, there is a risk that affected population would not openly voice concerns during a monitoring visit if they could not be guaranteed anonymity.

Based on these initial findings (as described above and listed in the table), IPAM finds that upon preliminary consideration, it appears that the Project may have caused, or may be likely to cause, direct or indirect and material harm to the Requesters.

IPAM therefore, notes that the first criterion set in section 2.6 (b) of the PAP 2019 to determine the case eligible for a Compliance Review is met.

3.5 Indication of non-compliance with relevant provisions of the 2014 Environmental and Social Policy

In order to determine if the Request is eligible for a Compliance Review, the case also needs to meet a second criterion, i.e., whether there is an indication that the Bank may not have complied with relevant provisions of the ESP. To this end, IPAM assessed the Request against the relevant provisions of the 2014 ESP, including the applicable Performance Requirements, which are:

- PR1: Assessment and Management of Environmental and Social Risks and Impacts
- PR2: Labour and Working Conditions

- PR3: Resource Efficiency and Pollution Prevention and Control
- PR 4: Health, Safety and Security
- PR 5: Land acquisition, restrictions on land use and involuntary resettlement
- PR10: Information Disclosure and Stakeholder Engagement.

The EBRD and IFC collaborated closely in the appraisal of the Project, developing joint Terms of Reference for the ESIA process. Mott MacDonald Limited (“Mott MacDonald”) was commissioned as the environmental and social consultant (ES consultant) to undertake an environmental and social impact assessment (ESIA) for the Project with support provided by the local environmental consultancy, Ecostandart Expert.

The ESIA Report identifies key adverse risks and impacts associated with the Project that are pertinent to the Compliance Review, including the following:

- Legacy issues from government-led land acquisition to form the cotton clusters.
- Reduced employment in cotton farming
- Workers’ labour rights, health, safety, and wellbeing
- Environmental pollution from, for example, dust, diesel emissions, fertilizers and pesticides aerosols from farming activities, and gin plants’ emissions
- Use of approved chemical inputs on farms.

These identified risks and impacts led to an agreed ESAP to address them.

As part of EBRD’s ongoing appraisal and monitoring efforts, several corrective actions have been identified, following in-person site visits carried out between 2021 and 2023, to address different implementation issues.

This notwithstanding, the Request raises relevant concerns as regards the adequacy of the Bank’s appraisal and monitoring process for a Category A project that include the robustness of the consultation process, how livelihood restoration would be achieved and, considering the contextual risks, the assurance that working conditions are up to par with Good International Practice. One relevant item to investigate is the extent to which the agreed measures have been implemented in a comprehensive and timely fashion. As preliminary evidence, IPAM has found that the ESAP has been updated three times since approval, to revise deadline of actions; and there have been two waivers in relation to Environmental and Social contractual conditions required for disbursements. Finally, the latest ESAP (2024 and disclosed in the IAL website) shows delays in a number of actions relevant to Performance Requirement 5. Further analysis is required to determine the reasons for these delays and their impact.

The following sections look at the seven issues to determine if there is an indication of potential non-compliance in order to establish if the Case meets the second eligibility criteria to undertake a compliance review.

3.5.1 Regarding loss of livelihoods

The Requesters allege that IAL did not fully uphold its promise of employment in exchange for ‘voluntary’ unilateral land lease terminations. Furthermore, they allege that no compensation/livelihood restoration alternatives were provided to farmers who did not wish to accept the offer of employment.

According to the ESIA Report and the LRP, all land for direct farming was acquired through negotiated settlements. The Client was not directly involved in this process, which was managed by Government agencies under the leadership of each District Hokimiyats. The process was

formally concluded by District Hokimiyats signing agreements with affected farmers in December 2018.

The LRP (Dec 2020) states that “there [were] some constraints to planning to address the employment impacts because the land acquisition and reallocation process was government led. The Project has little information on farms where the affected people might be identified as vulnerable. As well, there is a lack of details on farmers and their workers who terminated LLAs but did not accept work on the Project.”¹⁴

The challenges of reconciling employment databases with the database of affected people are also highlighted in EBRD Management’s Response, where delays in ESAP and LRP implementation are acknowledged, attributed mainly to difficulty in collecting accurate data from local authorities.

IPAM reviewed the updated LRP, dated February 2023 and revised by EBRD in March 2023, which indicates that there are no current statistics on how many affected people are currently employed at IAL, and it is therefore not possible to assess the effectiveness of what was meant in the initial LRP as the key livelihood restoration measure.

Finally, the updated Livelihood Restoration Strategy, available in the latest LRP, suggests that the Client will not likely be able to employ all the people that have been affected by land acquisition (farmers with terminated LLAs and their permanent or temporary workers), and that impacts on these people need to be addressed by the updated livelihood restoration strategy, which proposes employability and business support measures to specifically address this group.

On whether certain affected farm workers might have experienced a livelihood impact due to the conversion of contracts from full time permanent employment to NUCs, IPAM notes that identifying its impact on livelihoods will require an in-depth review of the conditions of both contractual modalities against the requirements set in PR5. Furthermore, IPAM will also consider the extent to which the NUCs contract terms, and if the manner in which the Client has managed the contractual relationship, including the process for renewing contracts or not, have adversely affected the contracted farm workers’ livelihoods.

In this respect, IPAM found that:

- There are discrepancies in the information provided by the Client and the EBRD consultant about the number of farmers provided with employment: there are 500 farmers who terminated their farming businesses but are not employed by the Project and for which Hokimiyats and the Company have no information.
- In addition to the data on affected farm owners who terminated their LLAs, the LRP shows evidence of displacement impacts on full-time farming jobs and household members and a lack of baseline data on former farm workers.

Regarding allegations that effective mitigation measures have not been developed to address changes in livelihoods and loss of supplementary incomes for local communities, a preliminary review of the ESIA and LRP shows that mitigation measures were identified to address impacts on livelihoods.

IPAM notes that based on its review of both the first iteration of the LRP and the revised LRP from February 2023, four different categories of affected farmers have been identified and each of these categories had matching entitlements in the LRP.

The LRP also includes non-employment related livelihood restoration measures, as follows: training meant for the various target groups, including contract farmers and Client staff; a “Community

¹⁴ Livelihood Restoration Plan, page 39, 16 December 2020.

Engagement Programme” (CEP) and “Community Asset Programme” (CAP), meant, in a first phase, to develop silk farming amongst farmers already engaged in such.

Alternative efforts to provide agreed benefits require more formalisation in the overall environmental and social management system, including more detailed monitoring, as noted by Management. At the same time, Management says that complaints have been monitored, and there has been no indication of registered complaints on the topic, raising questions as to the effectiveness of the community grievance mechanism.

In summary, the Bank has appraised the land acquisition process associated with the Projects, related legacy issues, identified gaps with PR5, and supported the Client prepare an LRP which includes measures of compensation for economic displacement and livelihood restoration.

IPAM found that the Client has made progress in implementing the LRP and remedying gaps at the behest of the Lenders. Nevertheless, to the end date of this assessment, delays in implementation and lack of accurate baselines persist, and as a consequence it has not yet been possible to fully assess their effectiveness or whether additional corrective actions would be necessary. Furthermore, it is unclear at this stage if the organisational restructuring from employees to NUCs was adequately consulted with all relevant stakeholders (including the Lenders) and if this conversion might have led to loss in livelihoods.

Finally, the latest version of the ESAP (2024) reports delays in alternative income generation programme, consultation of affected people on the LRP and implementation of livelihood restoration options. In addition, it reports delays in the disclosure of annual E&S performance.

As such, IPAM considers that there is evidence of potential non-compliance with PR5 and deems that this issue merits further investigation, notably in relation to the adequacy of project oversight and capacity of the Client to implement agreed actions.

3.5.2 Regarding violation of labour rights

Requesters claim that “civil law contracts” (NUM/NUC) are used for permanent, nonseasonal workers instead of appropriate employment contracts reflecting the permanent, year-round nature of work, depriving workers of trade union membership and employment benefits, such as sickness and holiday pay; and that the contracts were reclassified without any consultation with trade union or workers.

During monitoring EBRD confirmed that NUCs and their workers constitute contractors, and their workers are “contracted workers” per PR2. Lenders had preliminary conversations on enhancing monitoring measures, including the provisions on payment to all workers.

IPAM reviewed the Request and supporting documentation, relevant publications on the Client’s ESG portal, namely the report titled “Journey from NUW to NUC”, as well as the appraisal and monitoring documentation provided by EBRD Management.

As background, in 2021 IAL initiated a process aimed at reviewing the organisational structure of the direct farming component of their operations. Under the review, Nano Unit Workers (NUWs) who have responsibility for managing an assigned area of IAL’s leased land were registered as business entities (limited liability companies, or LLCs) with commercial contracts with IAL to deliver services. Prior to this, NUWs were directly employed by IAL. Under the new organizational structure, field workers who were previously contracted by IAL are now contracted by the new LLCs. Subsequently, NUWs were designated as Nano-Unit Contractors (NUCs) by IAL in 2023, maintaining essentially the same contractual arrangement that were already in place for NUWs. According to

information made available to IPAM, IAL has set up some 392 ‘Nano-Units’ of approximately 80 hectares managed by (former) brigade leaders, referred to as NUCs.¹⁵

In relation to the change in employment status and potential misuse of civil law contracts, IPAM notes that PR2 does not define the elements that constitute an employment relationship, but it does require projects to comply with **national labour, social security and occupational health and safety laws (PR2.5)**. As such, consideration of the issues raised would require an analysis of the NUC contractual arrangement against the relevant requirements of Uzbek labour legislation and possibly GIP, as appropriate, to understand whether the new contractual arrangements meet the requirements of an employment relationship or a services contract, and the potential implications to workers in terms of wages, benefits, and conditions of work.

From IPAM’s perspective, of particular importance will be to understand how the Bank assessed and determined that NUCs and their workers constitute contractors, and that their workers are “contracted workers” per PR2, and whether, regardless of the definition in NUC contracts of “(performance of work) in agricultural fields”, there are elements in the contract and in any arrangements for its performance between NUCs and the Client, that would inform the qualification of NUCs’ engagement as an employment relationship or as a provision of services with the Client.

Regarding the process for transitioning to the new contractual arrangements, namely whether workers and their representatives were consulted on the change, IPAM has learned that informal discussions with NUWs, production supervisors and trade union members might have taken place prior to implementation of the NUC contractual arrangement, although in absence of details including scope, participation and outcomes from these informal discussions, and given that IPAM has not been able to review this information, it cannot consider this as adequate evidence of information disclosure and consultations.

Management notes that the topic and allegations related to the creation of NUCs came to EBRD’s attention in late 2022. In cooperation with IFC, EBRD appointed an international labour consultancy to assess the legality of the change, as well as the compliance of changes with national law.

The ESP 2014, PR2.7 and PR2.8, requires clients to document and communicate to all workers their rights under national labour and employment law and any applicable collective agreements, working conditions and terms of employment and manage communications with a view to providing adequate information, in particular, **on changes anticipated that might affect the workforce** and the opportunity to provide comments as part of continuous improvement, including how to raise grievances.

IPAM considers in particular as pertinent the information provided by Representatives of the Requesters that a report published by the Labour Inspectorate on 14 February 2023, following an investigation, identified 23 violations of the national labour code. Based on this, IPAM believes that there is an indication of potential non-compliance with national labour laws and PR2 requirements, warranting investigation during a compliance review.

IPAM believes that an investigation is needed to determine whether EBRD sought to ensure that the NUWs/NUCs contractual arrangement, and the process followed for this transition, complied with PR2 and Uzbek legislation in force at the time of the change from employment to self-employed contractor status.

¹⁵ Cotton Campaign communication to BCI, 13 January 2023, ‘Urgent update on labour rights violations at Indorama Agro and request for immediate action’.

Key additional questions to consider during Compliance Review will be whether EBRD was notified of the change before it took place, if it verified that workers or their representatives were consulted and what those consultation outcomes were and whether the workers could freely choose amongst the options offered.

Contractual Conditions and their execution

Requesters further allege that the new contractual arrangements include unrealistic production targets, undefined compensation and payment terms, insufficient payment of costs for farmworkers, and lack of provision or payment for necessary equipment required for job description/performance. Requesters also allege that contract farmers have been exploited to deliver cotton to IAL and subject to abusive practices including not being paid the minimum requested price for cotton, receiving expired fertilizers, late payments for delivered cotton, and unjustified deductions and misclassification of cotton grade which is relevant for price. Finally, they argue that contracts have not been registered and contract farmers do not have signed copies of said contracts.

A preliminary review of a template contract provided to IPAM by the Requesters shows provisions on “contract price and payment procedure” with binding production targets and a penalty for failure to meet those targets. In relation to payment terms, the contract template defines service rates for different types of works and incentives. It also includes provisions on deductions, compensation for damages caused as a result of non-performance or improper performance of the terms of the contract, and the option to replace services at own cost to contractor; in the event that the service is of inadequate quality. Furthermore, some of the provisions in the template contract may be read as limiting the right of NUCs to raise concerns.

Management notes that EBRD and IFC did spot checks of NUCs in the Syrdarya Region and held a focus group with twelve NUCs in IAL premises and identified no major issues during the interviews. In addition, they also met with Trade Union representatives in the Syrdarya Region (TU leader and four members) who confirmed their current satisfaction with the arrangements, including the process for the most recent confirmation of the Collective Bargaining Agreement. EBRD Management also claims that lenders had preliminary conversations on enhancing monitoring measures, including the provisions on payment to all workers.

PR2 incorporates as part of its objectives to respect and protect the fundamental principles and rights of workers and promote the decent work agenda, and specifically requires projects to comply with national labour, social security and occupational health and safety laws, and the fundamental principles and standards embodied in the ILO conventions (PR2.5). IPAM notes that Bank Management is working with the Client for purposes of developing a full Narrative Report on the change to NUCs, and this will be considered within the scope of IPAM’s review of the Bank’s appraisal and monitoring efforts to ensure Client’s compliance with PR2 obligations.

IPAM will focus its investigation in the NUCs, including their terms and conditions of employment and the manner in which work has been performed before and after the change to NUWs/NUCs, to establish if the new contractual arrangements are fair and protect their fundamental principles and rights as workers in line with national law and the fundamental principles of ILO Conventions.

In this context, it is relevant to include within the scope of the investigation an examination of whether the grievance mechanism is accessible and fully functional for direct and contracted workers, and the process followed by the Client for receiving and resolving labour related grievances while ensuring confidentiality and preventing retaliation.

Regarding the allegations specific to execution of the contracts, including non-payment and late payment of bonuses, lack of access to drip irrigation, and provision of expired fertilizers by

Indorama Kokand, IPAM has learned that EBRD required as part of its appraisal a third-party due diligence labour assessment covering Indorama's workforce at directly operated cotton farms and cotton gins, and included key actions in an updated ESAP (Dec. 2022). At this stage, IPAM has been unable to verify the allegations and details of specific occurrences, nor consider the scope and outcomes of the focus group meetings, whether they are generally representative of workers' views, or form a clear picture of the process around which these focus groups were held.

IPAM acknowledges that Management has actively sought to address the non-compliances by the Client, and when identified, has set up a series of corrective actions, including a second labour assessment. However, it considers that given the contextual risk, the preliminary findings on contractual conditions and the allegations of intimidation, an in-depth independent investigation of these issues is required.

Regarding allegations that IAL employees were not provided with copies of their contracts and that national law on termination of employment contracts was breached, namely termination without workers' signatures, IPAM has not at this stage been able to verify these allegations nor the circumstances surrounding such occurrences. Given the contextual risk, a fact-finding process will be hampered by the fear of retaliation that workers and NUCs may be experiencing. As such, IPAM will engage with the Client to obtain documentary evidence as well as by applying other investigative methods that can guarantee anonymity.

Related to this matter is the issue raised by Requesters on job losses and redundancies. On this matter, IPAM does not yet have sufficient information on specifics surrounding the mechanisation of cotton production and restructuring of direct farming operations, and whether this could have resulted in collective dismissals under Uzbek labour legislation. PR2.19 sets out provisions on retrenchment which apply only in the event of collective dismissals, as defined in Article 1 of EU Directive 98/59. Depending on the facts that IPAM is able to establish during investigation, it might decide to consider as part of its review whether the Bank assessed this risk, and if appropriate whether it sought to ensure that the Client complied with PR2.19.

On the specific allegations of expired fertilizers being supplied by Indorama Kokand, IPAM considers that the obligation of provision and management of agricultural inputs is of IAL and not Indorama Kokand. Therefore, the investigation shall only focus on the Indorama Agro Project and the two EBRD-transactions related to it.

Obstruction of Freedom of Association and Collective Bargaining

Requesters also allege that their freedom of association and collective bargaining rights have been diminished as a result of the change in employment status, and that they have been infringed upon and obstructed by IAL due to their interference in elections and refusal to cooperate with the trade union in Syrdarya Region. Management claims that as registered LLCs, the NUCs would have the ability to join a business association.

However, IPAM has learned from consultations with the Parties and the review of the project labour assessments that the change from IAL employees to service providers, i.e., employers in their own capacity, has likely resulted in the loss of eligibility of NUCs to join the IAL trade union. On a preliminary basis, IPAM believes that having the ability to join a business association does not necessarily entitle NUCs to participate or benefit from labour rights and collective arrangement afforded under the IAL trade union. Considering the forced labour legacy issues of the country, the commitments made by IAL at the inception of the Project, IPAM considers that a compliance review process would assist in determining if the conversion to NUCs and the fact that former full-time workers would not be covered by the protection of the IAL trade union is compliant with the 2014 ESP relevant provisions.

Interference with Trade Union

Regarding allegations of interference by IAL management in elections for trade union leader in Syrdarya, as well as allegations of retaliation and intimidation of trade union members and CSOs, Management “did hear of allegations of [IAL] management interference at a regional level but stated that the allegations could not be triangulated and were based on one interviewee and one formal complaint letter submitted to the Trade Union”. Reports of intimidation and retaliation instances against trade union members in Uzbekistan have also been documented in CSO reports reviewed by IPAM.

PR2.13 sets out specific requirements for clients in relations to workers’ organisations. Of relevance to this case are the requirements for the client to engage with workers’ representatives or organisations and provide them with information needed for meaningful negotiation in a timely manner, in accordance with national law, and prohibition to discriminate or retaliate against workers who act as representatives, participate, or seek to participate, in such organisations or bargain collectively.

In this context, IPAM considers it important to investigate whether the Client was required to inform workers of changes in their membership status in a timely manner to enable meaningful negotiations. Furthermore, IPAM will seek to collect further information on the allegations of interference during the investigation and Management’s monitoring of this risk.

3.5.3 Negligence of health and safety procedures

The Requesters allege that workers’ safety was neglected by not providing protective gear and appropriate equipment. In addition, there are allegations of serious accidents including one fatality due to lack of training and oversight, lack of proper training for handling hazardous substances, and significant risks to human health.

EBRD Management states that the ESAP has considered this as a part on an integrated ESMS. Furthermore, that albeit delays due to Covid, the IESC has conducted monitoring site visits and in each one identified corrective actions.

As such, IPAM can confirm that there have been events of non-compliance in relation to this issue and therefore considers it relevant to examine further whether the Bank has taken the necessary actions to ensure that the Client’s health and safety procedures and OHS management system are being adequately implemented and integrated into the ESMS per PR4.

3.5.4 Regarding inadequate environmental impact assessment and mitigation

Requesters allege that several essential project elements were not assessed, nor commensurate mitigation measures provided, including waste and wastewater management and decommissioning, drinking water supply, and global climate change impact.

In the course of its analysis, IPAM conducted a preliminary review and found that the main project components and stages, including closure and decommissioning, water availability, waste and wastewater, were considered in the ESIA. Management informed in its response that even if some of the environmental potential impacts and risks were considered as minor or negligible, that does not imply that the issues have been missed.

Requesters also allege that significant impacts on local flora and fauna have occurred as a result of exposure to chemicals used by IAL and pollution of water streams by IAL activities.

In the ESIA, the use of pesticides, in particular glyphosate, are considered for application by IAL in direct fields, with tentative rates of consumption described.

In its response Management notes that IESC has requested IAL to provide data and information on monitoring and comparison to standards for water and wastewater. They have also investigated procedures for spraying. It further states that corrective actions have included assessing the agrochemical inventory against classification to World Health Organisation (WHO) and EU standards. When a fertiliser is not in the approved list, a substitution plan has been requested.

Finally, Management notes that although Requesters have raised several allegations of pollution, they have not provided details and therefore make it impossible for the EBRD and/or the IESC to investigate further or even determine if the locations are in fact located in the proximity of the IAL operations.

During the compliance assessment, IPAM has become aware of social media reports of environmental pollution incidents by people living in the vicinity of IAL operations. As with any other allegation raised, the investigation of these reported incidents would serve to determine any potential linkages with the EBRD-funded project as well as to review the adequacy of assessment and mitigation measures. An investigation would enable to assess compliance with the relevant provision of PR3 and PR4 specifically.

3.5.5 Regarding lack of meaningful stakeholder engagement

Requesters allege that IAL failed to take the views and concerns of its stakeholders into consideration in the planning, implementation, and operation of the Project. They point out that information on public consultations provided in the ESIA did not contain any detailed evidence, such as records from meetings, evidence of media communication, or how the project team considered the outcomes of focus group discussions. In addition, they claim that the project documentation has not included comprehensive data on the project-level grievance mechanism.

They also claim that due to the Covid-19 pandemic, the company used an online format for public consultations on the ESIA in 2020 (Interim Stakeholder Engagement Plan (I-SEP), which they question as regards meaningful participation. In addition, they allege that the information provided was insufficient, and the options to provide comments were limited and unsafe.

Management responds that they consider the engagement with stakeholders was adequate while also acknowledging that more efforts to improve it are required.

As stated by the Requesters, Management recognises that Covid-19 limited the ability to conduct in-person engagement and the Interim SEP acknowledges the restrictions.

As regards the Grievance Mechanism, Management states that a job satisfaction survey demonstrated that some workers are unhappy with employment and the IESC reports have noted the ongoing need to improve and broaden communication about the grievance mechanism.

IPAM's preliminary analysis was focused on finding how the Bank has considered the issue of stakeholder engagement at different stages of the Project. The SEP reports on the information disclosed during the scoping and ESIA phases, as well as in the preparation of the LRP, involving two rounds of consultations and focus groups with the Client, local government in the affected districts, Hokimiyats, farmers' representatives, workers (both direct and contract farmers) of the Client, and local community members¹⁶. Alternative approaches to consultations in light of COVID-19 and limited internet/smartphone connectivity were clearly identified in the original SEP. Later in July 2023, an updated SEP was issued. This update includes stakeholder identification and analysis, and a strategy for consultations, to cover the operational phase of the Project.

During Project implementation, the conversion of contracts from full-time workers on employment contracts to NUCs would have required consultation with the affected workers. IPAM had access

¹⁶ ESIA Volume III: Appendices, Focus Group Records.

to some communications reporting engagement with Trade Union officials, but information provided, timeliness of engagement, and how feedback was incorporated, are all unclear matters.

PR10.19 sets out requirements on meaningful consultations requiring EBRD clients to consult stakeholders on an ongoing basis as the nature of issues, impacts and opportunities evolves, and PR.21 specifically requires EBRD clients to carry out a formalised, participatory ESIA process, including organised and iterative consultation, leading to the client's incorporating into its decision-making process the views of the affected parties on matters that affect them directly. Furthermore, as per GIP, stakeholder engagement has to be culturally appropriate. As such the limitations set by Covid-19 will have to be analysed considering that this Project is categorised A for its environmental and social impacts.

Information Disclosure

The Requesters allege that since the Project was approved in 2020, the web page of IAL remains available only in English. Furthermore, they allege that only some documents are published in Uzbek and that there was no disclosure of E&S performance or GRM annual monitoring reports.

At the time of finalisation of this assessment, IPAM reviewed IAL website and found that disclosure of Policies and other documents improved since Request submission to IPAM. However, it also confirmed that although there are English, Uzbek and Russian web-sections, some documents remain available only in English or Russian. A full review of document availability to Project-affected-People is to be undertaken during compliance review to assess compliance with PR10.

Grievance Redress Mechanism

As regards the effectiveness of the grievance mechanism, IPAM accessed a monitoring report from 2022. The report prepared by the Client provides an overview of the total number and type of grievances received, and average days for resolution. IPAM got aware that two Community Liaison Officers (CLOs), in charge of SEP implementation and GRM management for construction and operational phases in their respective regions, were hired by the Client in April and May 2022. However, IPAM had no access to supporting evidence or the views of those filing the grievances.

The lenders, including the Asian Development Bank through a separate transaction, have promoted an improvement on the functioning of the grievance mechanism¹⁷. Management noted that some Mahalla administrative buildings lacked sufficient information or grievance boxes, and that these areas of improvement are clearly documented and part of Bank's on-going monitoring.

At this stage IPAM acknowledges that Management has undertaken numerous actions to improve GRM effectiveness. However, questions remain about its accessibility to stakeholders and how it serves to address the concerns of workers and farmers in relation to the Project implementation.

The Requesters argue that GRM's lack of effectiveness led employees and farmers to turn to the court to seek resolution of work-related issues. The Request includes such several examples where worker conditions might not be meeting local legal requirements, nor PR2 provisions. It is claimed that the GRM is not reliable, or the affected individuals are not aware of its existence.

IPAM does not have enough information to date to comment on the implementation and effectiveness of process or methods used for stakeholder engagement, nor the extent to which specific project documentation was disclosed and whether feedback from specific stakeholder groups was considered by the Client. Further insights on how consultation took place and the substance of the information provided are needed to assess compliance against PR10 requirements on meaningful stakeholder engagement. One key factor in this analysis is the cross-

¹⁷ Uzbekistan: Indorama Climate-Resilient Farmer Livelihood And COVID-19 Recovery Project, E&S Compliance Audit Report. ADB, March 2023.

cutting allegation of intimidation and reprisals which might prevent stakeholders to openly express their views.

3.5.6 Regarding retaliation and threat of reprisals

Allegations are made in the Request of retaliation and threat of reprisals on contract workers, farmers, members and workers' representatives (leaders of the trade union) who speak out against the Client, in the form of coercion to agree to employment terms, dismissals, land confiscation and intimidation of family members, and enlisting assistance of local officials to enforce abusive policies such as the threat of land lease terminations. Numerous individual cases are described in the Request and corroborated in interviews conducted by the Requesters. Furthermore, CSO representatives have also been directly targeted and subject to intimidation because of their engagement and communications with trade union members, former farmers and the Client's employees. Allegations are also made of coercion by government officials on contract farmers to sign blank contracts without a minimum price and/or production targets, and of intimidation and reprisals on workers and trade union leaders preventing them to speak openly about labour rights issues at IAL and thus impeding good communication between them and CSOs' representatives.

Based on a preliminary review, IPAM found that the Client, with EBRD's support, has developed and published relevant policies in reference to this risk. However, it is unclear whether these policies are enough to address the risk, nor whether training has been effective to ensure comprehensive application and understanding of said policies.

Information reviewed at this stage suggests that EBRD had knowledge of retaliation allegations in February 2021 and responded to allegations in January 2022. EBRD subsequently engaged with CSO representatives and stakeholders on this subject. Management's response mentions that the Office of the Chief Compliance Officer (OCCO) was reviewing some of the allegations.

Furthermore, from the moment IPAM received the Request, it has received additional numerous allegations of retaliatory or intimidatory incidents related to the Project and has informed Management of them. IPAM considers that these allegations **are of a serious nature, posing a potential risk to the safety of Requesters and other Project-affected People, which merit looking into as part of a compliance review given their cross-cutting impact on the Project, compliance with the environmental and social provisions in the 2014 ESP and the avoidance of harm to the impacted stakeholders and communities.**

It should be noted that IPAM cannot establish a direct causality between the incidents experienced by some of the affected people and any concerns they might have raised in the context of the Project. At this moment, IPAM would only state that the EBRD has a zero tolerance for acts of retaliation or intimidation and that it is the right of every stakeholder to raise concerns in relation to an EBRD-funded project. The grievance process is based on this fundamental right and for IPAM to be able to perform its function, it requires all Project-related actors to ensure that anyone wishing to speak up can do so safely and without risk of reprisals.

3.5.7 Access to Information

Requesters allege that the Bank has not engaged in meaningful dialogue with the relevant Bank's stakeholders, monitoring results have not been disclosed, and the environmental and social sections of the PSD have not been reviewed annually and updated as appropriate in accordance with the EBRD Directive on Access to Information.

The EBRD Directive on Access to Information requires EBRD to include environmental and social information on the Project as part of the PSD (1.4.6), including specific content and annual review and update as appropriate for Category A projects. The Bank may also disclose, at its discretion, other environmental and social information from time to time for public information or for public comment.

IPAM has reviewed the [PSD](#), disclosed initially on 24 April 2020, and considers that it includes environmental and social information as required in the Directive for Category A projects. IPAM notes that the PSD was last updated on 16 Jan 2023 and none of the key changes in contractual conditions or livelihood restoration plans have been reported as required by the Access to Information Directive. As such, the Bank appears to have failed to comply with the Access to Information Policy.

Based on these initial findings, IPAM finds that there is an indication that the Bank may not have complied with a provision of the Environmental and Social Policy (including any provision requiring the Bank to monitor Client commitments) or the Project specific provisions of the Access to Information Policy, in force at the time of Project approval.

IPAM therefore notes that the second criterion set in section 2.6 (b) of the 2019 PAP for determining the eligibility of the Request for a Compliance Review is met.

4. Conclusions

IPAM has undertaken a preliminary review of Case 2023/09 related to the transactions Indorama Capex Loan (50879) and Indorama Working Capital Loan (51011) to determine if it met the two criteria established in the 2019 Project Accountability Policy to initiate a compliance review.

The outcome of the Compliance Assessment has been that this Case meets both criteria and therefore IPAM will initiate a compliance review based on the Terms of Reference presented in **Annex 1** of this report.

For purposes of the investigation, IPAM shall undertake diverse fact-finding activities and require access to diverse sources of information. To allow for a swift and efficient process, IPAM will be grateful for the support and collaboration of all relevant Project stakeholders, in particular Bank Management, the Client, any consultants involved and the Requesters.

The investigation will focus on the allegations raised in the Request and how the Bank, in its actions has ensured compliance of the Project with the relevant obligations set in the 2014 Environmental and Social Policy and the 2019 Access to Information Policy and Directive. More generally, the Compliance Review process needs to assess how the Bank ensured adequate handling of E&S issues from the ESIA stage onwards, including with respect to stakeholder engagement, in line with the mitigation hierarchy and the principle of “do no harm”.

Finally, IPAM notes that after its assessment, it decided that the allegations raised in the Request were not linked to a third transaction Indorama Kokand WC II (54302), as the allegations of provision of expired fertilisers produced by the Indorama Kokand Fertilisers and Chemicals, would solely be linked to a decision of the Project. Therefore, the compliance review will not include this transaction in the scope of the investigation.

In summary, based on the preliminary review undertaken as part of the Compliance Assessment and having determined that the criteria set out in Paragraph 2.6(b) are met, IPAM recommends proceeding with a Compliance Review. IPAM considers that a Compliance Review would help to determine whether there has been any non-compliance, and if that is the case, to define appropriate measures to bring the Bank into compliance and, address any actual or potential harm, and avoid recurrence of such or similar situations on the Project as well as in other projects.

Annex 1. Compliance Review Terms of Reference

Introduction

The Compliance function determines whether EBRD has complied with its Environmental and Social Policy or the Project-specific provisions of its Access to Information Policy in respect of a Project. As such, the Compliance function only deals with the compliance of the Bank, rather than the compliance of the Client. IPAM engages with Project-affected People, Bank staff, Clients and other stakeholders in order to determine whether the Bank, through its actions or inactions, has failed to comply with any provision of the Environmental and Social Policy (including any provision requiring the Bank to monitor Client commitments), or the Project-specific provisions of the Access to Information Policy.

This Compliance Review will be undertaken by the IPAM team in line with the mandate established in the 2019 PAP and guided by the principles of independence, impartiality, transparency, predictability, proportionality, and equitability. Depending on the investigation findings made, there are two alternative outcomes:

- If the Bank has been found compliant, the Compliance Review Report will provide an account of how the determinations was made with no further actions to be recommended. The Compliance Review Report is sent to the Board for information, disclosed in the IPAM case registry and the case deemed closed.
- If the Bank has been found not in compliance with the policies, IPAM includes, in the report, recommendations at the Project and Systemic level. These trigger a series of actions as follows:
 - Bank Management will be asked to draft a Management Action Plan (MAP) to address the recommendations.
 - The draft Management Action Plan is sent to the Requesters for Comments.
 - Management reviews the Requesters' comments and adjusts the Plan if deemed relevant.
 - IPAM sends the Compliance Review Report and the Management-proposed Action Plan to the Board for consideration and approval.
 - After Board approval, IPAM discloses the Compliance Review Report and the MAP in the public registry and initiates the MAP Monitoring Stage.

Scope of the Compliance Review

These Terms of Reference (ToRs) were prepared on the basis of the issues raised in the Request for Case 2023/09 and apply to any inquiry, action or review process undertaken by IPAM as part of the Compliance Review, with a view toward determining, as per paragraph 2.7 (a) and (b) of the **2019 PAP**, whether the Bank, through its actions or inactions, has failed to comply with the **2014 ESP and the 2019 Access to Information Policy and Directive**.

The scope of the Compliance Review is outlined below in an issue-based format. In view of the information already assessed by IPAM, the Compliance Review will focus on determining whether EBRD ensured that the Project is being implemented in accordance with **PRs 1, 2, 3, 4, 5 and 10**, and the ESP requirements on appraisal and monitoring by EBRD. The review will also look at the compliance of the Bank with the **2019 Access to Information Policy and its Directive**.

In considering the adequacy of EBRD's approach to appraisal and monitoring in relation to this Project, care will be taken not to expect performance at a level that requires the benefit of hindsight. Rather, the focus has to be on whether there is evidence that the Bank required the

application of the relevant PR provisions considering sources of information available at the time and whether the due diligence process was sufficiently comprehensive.

The ToRs set out the key lines of investigation and the main topics (i.e., general, loss of livelihoods, violation of labour rights, negligence of health and safety procedures, environmental pollution, lack of meaningful stakeholder engagement, and retaliation and threat of reprisals) to be addressed as part of the Compliance Review in reference to the allegations of actual and/or potential harm, and non-compliance. The guiding questions below provide an investigative framework for IPAM based on the alleged harms and the Environmental and Social Policy requirements.

Table A1: Key Lines of Investigation

Issues raised in the Request	Guiding Questions
General	<ul style="list-style-type: none"> • Did EBRD properly assure itself of the capacity and commitment of the client to implement the Project in accordance with the relevant PRs, as required by para 30 of the ESP? • Did EBRD fulfil its obligations under the ESP in terms of public disclosure and consultations of the project ESIA and LRP, specifically in Project affected areas of Kashkadarya and Syrdarya? • Did the Bank assess contextual risks during or since appraisal, including human rights and retaliation risks in Uzbekistan and specifically in the cotton sector? • What is the process in EBRD for handling allegations that amount to retaliation – including threats, intimidation, harassment, or violence – related to EBRD projects? • Did EBRD seek to ensure that retaliation allegations were raised directly with the Client, and did it make its position against reprisals clear, and take follow-up action as and where appropriate? • Has the Bank ensured the timely implementation of ESAP actions through robust monitoring?
Loss of livelihoods	<ul style="list-style-type: none"> • Did the Bank seek to ensure, through its appraisal and monitoring, that the proposed livelihood restoration measures were commensurate to risk and would enable the Client meet PR5 requirements over a reasonable period of time and restore or, where possible, improve the livelihoods and standards of living of affected farmers compared to pre-displacement levels? • Did the Bank seek to ensure that the Client meaningfully involved affected farmers in the decision-making process related to compensation for economic displacement? How did the Bank verify information provided by the Client in this regard? • Has the Bank monitored the Project in an adequate manner to ensure that provision of employment with the Client and the identified livelihood restoration measures in the LRP and CAP are implemented in line with PR5 standards, including through an analysis of changes in the socio-economic baseline against pre-displacement levels, supplementing stakeholder consultations as appropriate, and assessing how the employment is provided and managed by the Client? • Did EBRD assess Client's capacity to implement its commitments in the ESAP and LRP, in particular provision of employment and other agreed benefits to affected farmers, and through its monitoring identified corrective actions and supported the Client to ensure compliance with PR5? • Did the environmental and social assessment process identify and characterise, to the extent appropriate, potentially significant social impacts related with the government-led land transfer activities associated with the Project? • Did EBRD consider in its appraisal third party performance and/or risks namely as it relates to collaboration of the Client with the GoU for provision of social baseline data and LRP implementation?
Violation of labour rights	<ul style="list-style-type: none"> • Did the Bank ensure that the process followed by the Client for transitioning workers from employment to self-employed contractor status, known as NUWs/NUCs, complied with PR2 and Uzbek labour legislation? • How has the Bank assessed the classification of the NUCs employment relationship, and determine that NUCs and their workers constitute contractors, and their workers are "contracted workers" as per PR2? Did the Bank consider elements of the contracts and the circumstances under which NUCs perform work, including whether under the current arrangements they are able in practice to provide services to other clients? • Did the Bank appraise whether the NUWs/NUCs terms and conditions, and performance of work.

Issues raised in the Request	Guiding Questions
	<p>are fair and protect workers fundamental principles and rights in line with PR2, national law and the fundamental principles of ILO Conventions, and where appropriate require the Client to implement corrective actions?</p> <ul style="list-style-type: none"> • Did EBRD seek to ensure that requirements regarding employment termination set out in Uzbek labour legislation were followed by the Client? Did the Bank assess whether the Project led to collective dismissals, and if appropriate whether it sought to ensure that the Client complied with PR2.19 on retrenchment? • Was the Client required to assess if the NUWs/NUCs contractual arrangements could result in limitations to freedom of association, and did the Client engage with workers' representatives or organisations and provide them with information in a timely manner? • Did the Bank appraise the terms and conditions of NUC contracts, and relevant enforcement practices, and collaborate with the Client to assess potential associated risks of coercion or intimidation that amount to retaliation? • How did the Bank work with the Client to assess and as appropriate prevent intimidation to workers, including those who act as representatives, participate, or seek to participate, in worker organisations or bargain collectively? • Did the Bank seek to ensure that a grievance mechanism is accessible and fully functional for direct and contracted workers, and the process followed by the Client for receiving and resolving labour related grievances is adequate, ensures confidentiality and prevents retribution?
Negligence of health and safety procedures	<ul style="list-style-type: none"> • Did the Bank review the Client's health and safety procedures and OHS management system, and conduct effective oversight of the Corrective Action Plan, to ensure that these are integrated into the ESMS per PR4 requirements? • Has the Bank reviewed and/or verified reporting by the Client on occupational health and safety incidents and injuries, and how these were responded to?
Inadequate environmental and social impact assessment and mitigation	<ul style="list-style-type: none"> • Did the Bank appraise the Client's use of agrochemicals for suitability to the intended outcome, taking into consideration the Projects local ambient environmental conditions and available pest control methods, so as to avoid or minimise adverse impacts on human health and the environment, per PR3 requirements? • Has the Bank adequately monitored and assessed implementation of the Pesticides, Defoliant and Fertiliser Management Plan (PDFMP) for appropriateness, including through a review of baseline and monitoring data, procedures and actions required from the Client to ensure compliance with the relevant requirements of PR3 and PR4?
Lack of meaningful stakeholder engagement	<ul style="list-style-type: none"> • Did EBRD ensure that the Client effectively identified and documented all affected people, especially individuals and groups affected by the land allocation process, and developed an up-to-date community mapping and analysis? • Did EBRD ensure that the Client conduct stakeholder engagement as a part of both Project on the basis of providing local communities and farmers that were directly affected by the Project and with access to timely, relevant, understandable, and accessible information, in a culturally appropriate manner, and free of manipulation, interference, coercion and intimidation? • How did the Bank verify that the Client was carrying out meaningful and ongoing stakeholder engagement per PR10, and supplement engagement commensurate to the potential risk and impacts from the Project? • Did the Bank verify the results of stakeholder engagement and what was done to address stakeholder concerns and how these were responded to? • Did the Bank and the Client facilitate the disclosure of project information that helps stakeholders understand the risks, impacts and opportunities of the project? • Did EBRD take appropriate steps to ensure that the grievance mechanism was available and functional, scaled to the risks and potential adverse impacts of the Projects?
Retaliation and threat of reprisals	<ul style="list-style-type: none"> • How did EBRD ensure that ongoing stakeholder engagement activities took place free of manipulation, interference, coercion and intimidation? • Did the Bank review and monitor the grievance mechanism procedures and operation to ensure that stakeholder concerns are addressed promptly and effectively, without retribution? • When EBRD first became aware of retaliation allegations raised in the Request, did it take steps to ensure ongoing engagement and reporting appropriate to the risks posed to Requesters?
Access to information	<ul style="list-style-type: none"> • Has the Bank complied with the disclosures obligations for Category A projects as set in the 2019 Access to Information Policy and its Directive?

Proposed Methodology

The investigation will involve a combination of document review, inputs from technical experts, relevant stakeholder interviews and a site visit.

The document review will encompass Project documentation, memos and email communications seeking to assess the process and evidence used by the Bank to assess the compliance of the Project vis-à-vis the 2014 ESP and relevant PRs, and the 2019 Access to Information Policy and its Directive.

Virtual and in-person interviews will be conducted to gather information from Project staff, local authorities, consultants, residents and others involved at relevant stages of the Project.

A site visit to the project will take place once technical experts have been identified and contracted. During the visit, the IPAM team intends to have meetings with the Client, relevant authorities, the Requesters, EBRD Resident Office staff and other third parties that can provide an independent perspective of the Project and the issues raised. The exact timing of the visit will be coordinated with both the Client and the Requesters to minimise disruption of their activities.

Per the Project Accountability Policy, IPAM has taken steps in this Case to assess the risk of retaliation against Requesters and their Representatives and is in the process of implementing retaliation risk mitigation measures in connection with the Request, in close consultation with the Representatives of the Requesters.

Alternative planning for in-person interviews and site visits, and other mitigation measures, might have to be considered and implemented as appropriate based on risk to prevent retaliation and harm to Requesters during the compliance review process.

In considering the adequacy of the steps EBRD has taken during the appraisal, approval and supervision stages of the Project to ensure compliance with the 2014 ESP, care will be taken not to expect performance at a level that requires the benefit of hindsight.

Technical experts and consultants

Please note that the responsibility to produce the Compliance Review Report remains with IPAM and any determinations of compliance or non-compliance are to be made by the Chief Accountability Officer based on the Compliance Review findings.

However, IPAM will require the support of technical experts to review the issues related to livelihood restoration, and labour and working conditions. It may also seek technical advice on other matters if the need arises.

The investigation will require the engagement of interpreters and translators.

Finally, due to the risk of retaliation and the allegations raised by Requesters regarding past incidents, IPAM will require the services of an external consultant to accompany the investigation and provide advice on how best to address the risk to requesters and representatives of engaging actively with IPAM and assist the team in its investigation.

Access to information

In order to ensure timely completion of this Compliance Review, IPAM shall require from Bank Management full, unrestricted access to relevant Bank staff and files.

The PAP establishes a maximum 10 business day period for complying with requests for information and documents. All relevant Parties are encouraged to comply with requests from IPAM for obtaining access to sites, submission of written materials, provision of information and

attendance at meetings. Any situations where the actions or lack of action by any Party hinders or delays the conduct of the Compliance Review may be referenced in the Compliance Review Report.

Parties are also encouraged to inform IPAM if any of the information shared with IPAM is deemed as confidential as per the Bank's Access to Information Policy or because of a risk of retaliation.

Access to use and disclosure of any information gathered by IPAM during the Compliance Review process shall be subject to the Bank's Access to Information Policy and any other applicable requirements to maintain sensitive commercial and/or other information confidential. IPAM will not release any document or information that has been provided on a confidential basis without the express written consent of the party who owns such document.

Investigative Timeframe

The Project Accountability Policy establishes that the Draft Compliance Review Report shall be completed within 140 Business days of the publication of the Compliance Assessment Report. After that, the Policy provisions establish a series of interactions with Parties to allow for comments and, if the Bank is found non-compliant, several actions are related to the preparation of a Management Action Plan by the Bank's Management.

For Case 2023/09, the compliance review process timeframe is expected to start in November 2024 and be submitted to the Audit and Risk Committee of the Board by end of January 2026 at the latest (if a MAP is required) and is divided in three main stages:

- Stage 1: Investigation preparation, information and documentation procurement, identification and contracting of experts
- Stage 2: Document review, interviews, field visit and report drafting
- Stage 3: Parties comments and report finalisation.

Table A.2. below provides further detail on activities, milestones, and tentative schedule.

Extensions

If IPAM requires an extension of this timeframe, Parties will be promptly notified, and the case registry updated to reflect the new deadlines.

Please note that if the Requesters, Client or Management require an extension on any specific deadline, they should inform IPAM along with the proposed extended deadline. IPAM will seek to accommodate those requests and inform all Parties of its decision in a prompt fashion.

All Parties to the Case will be updated regularly on the status of the investigation and formal notifications on extensions will be issued by IPAM if needed.

Table A.2. Tentative Schedule

Activity	Estimated timeframe ¹
Stage 1: Investigation preparation, information and documentation procurement, identification and contracting of experts IPAM planning process and introductory engagement with Management, Client and Requesters Identification and request of documents and information required for investigation Translation of documents as needed Identification of relevant stakeholders for interviewing Identification and contracting of external experts	December 2024 – January 2025
Stage 2: Document review, interviews, field visit, and drafting of report Desk review of documents Consultations and interviews (virtual or in person as appropriate)	December 2024 – May 2025
Site visit – project visit and in-person interviews Desk work and fact checking (further engagement with Parties as needed) Report drafting	March – April 2025 April – June 2025
Stage 3: Parties comments, and report finalisation Circulation of the draft Compliance Review Report to Parties (for comments and development of Management Action Plan) Comment period by Parties (Policy timeframe – 10 business days) Development of Management Action Plan (Policy timeframe – 30 business days from receipt of Compliance Review Report) Submission of draft Management Action Plan to IPAM Circulation of draft Management Action Plan to Requesters for comments on the draft MAP (Policy timeframe – 20 business days from date of IPAM circulation) Submission of comments on MAP by Requesters to IPAM Finalisation of Compliance Review Report by IPAM based on Requesters' comments if relevant (Policy timeframe – 10 business days from date of receipt of comments) Circulation of final Compliance Review Report and Requesters comments on MAP to Management Revised Management Action Plan (Policy timeframe – 15 days from date of receipt of Compliance Review Report and Requesters' comments) Submission of the compliance review package to the EBRD Board of Directors Board meeting on Compliance Review and consideration of Management Action Plan	July 2025 – November 2025 July 2025 August 2025 End September 2025 Early October 2025 Early November 2025 End November 2025 Mid December 2025 Early January 2026 February 2026

1. Estimated deadlines for each activity and/or deliverable are calculated according to the Policy provided timeframes. Please note that this might change should there be a need for extensions at any stage.