



# Journey from NUW to NUC

FE INDORAMA AGRO LLC

HR Team

### **A Preamble: Leased Land Management Transformation**

Indorama Agro's foray into Uzbekistan's agricultural landscape began in December 2018, when it leased land from the government of Uzbekistan. The company inherited a system of varying farm sizes managed by local farmers known as brigadiers. Initially, Indorama Agro adhered to the existing legacy management structure.

However, this legacy system presented challenges and limitations. Land allocation for each brigadier was not standardized, leading to unequal responsibilities and resource distribution. The absence of a dedicated human resource (HR) or social specialist hindered the oversight of brigadiers' welfare and performance. Moreover, the ratio of one farm manager to 100 brigadiers per farm made effective monitoring and supervision arduous.

In 2020, Indorama Agro Ltd (IAL) took a step towards a more structured approach by introducing an initial organizational structure. The company renamed the brigadiers as block supervisors and integrated them into the organogram. However, the issue of uneven land allocation remained unresolved, impeding the efficiency and productivity of the block supervisors.

A significant transformation occurred in 2021, when Indorama Agro standardized the land parcel for each block supervisor, establishing "Nano units" of approximately 120-130 hectares. This move aimed to ensure equitable distribution of responsibilities and resources.

To further incentivize optimal performance, Indorama Agro introduced a new incentive scheme linking block supervisors' income to the yield they produced in their assigned Nano units. This initiative aimed to boost motivation and accountability among the block supervisors, while simultaneously enhancing crop quality and quantity.

In line with the land parcel standardization, the block supervisors were subsequently renamed "Nano unit workers" in 2021, reflecting their direct association with the standardized land units. The Nano Units (NU) were allocated to the Nano Unit Workers (NUW) or erstwhile brigadiers that operated in the vicinity of their homes where earlier they had also used as farm lands. Proximity of NU to the NUW was a key feature in this land block allocation standardization. Also, the land utilization for the crop profile, be it cotton or cereals, were mostly kept similar unless sent through redevelopment process. (or crop rotation requirements)

### **To summarize Chronologically:**

1. December 2018: IAL commences operations in Uzbekistan, leasing land from the government.
2. Land Lease Under Direct Farming (Hectare): 56,317 ha (Actual Farming done 45, 229 ha), Land in contract farming: 21,516 ha.
3. Initial Phase: IAL adopts the existing land management structure, with farms of varying sizes managed by local farmers known as brigadiers.
4. Challenges Emerge: The legacy system presents challenges, including uneven land allocation, limited social specialist support, and an ineffective monitoring system.

# JOURNEY FROM NUW TO NUC

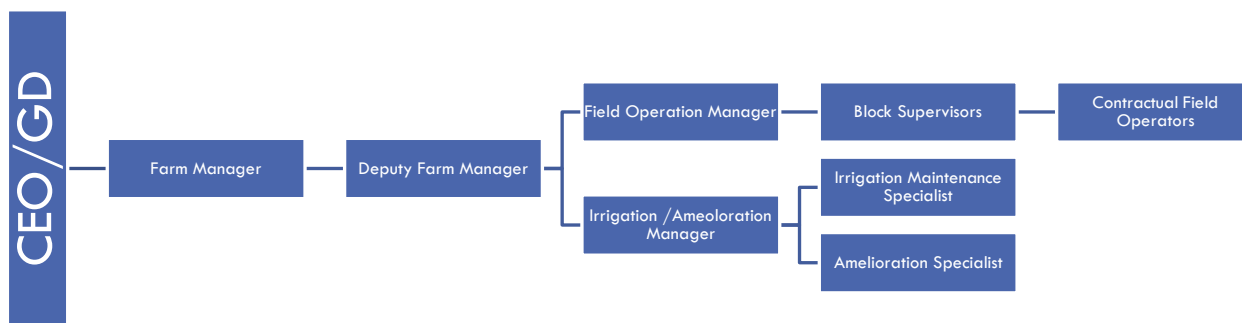


Fig: Pre 2020 legacy structure

5. 2020: IAL introduces its first organizational structure, renaming brigadiers as block supervisors. However, uneven land allocation persists.
6. 2021: A major land management reform is implemented:
  - Land parcels are standardized, creating "Nano units" of approximately 120-130 hectares.
  - Block supervisors are renamed "Nano unit workers" to align with their direct responsibility for the standardized land units.
  - A new incentive scheme is introduced, linking Nano unit workers' income to the yield produced in their assigned Nano units.

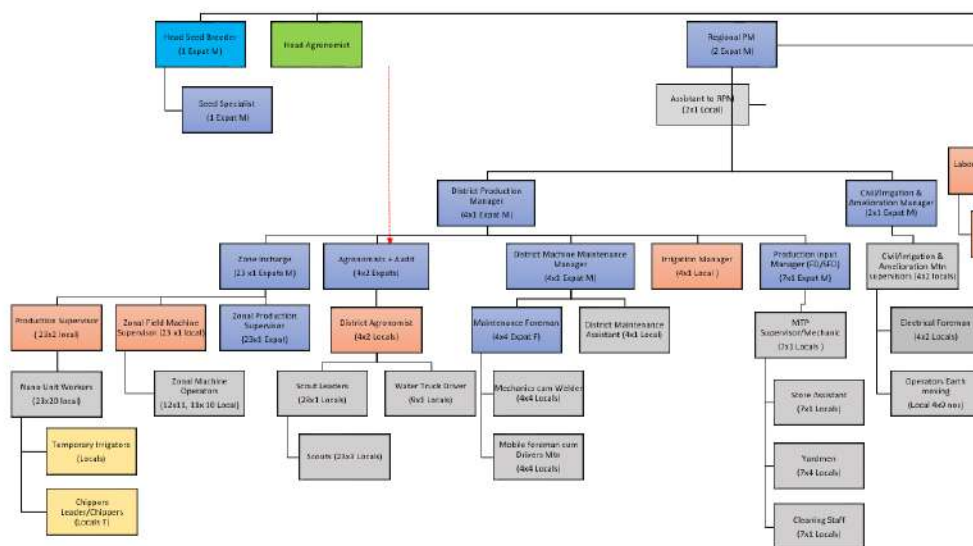


Fig: First Official Org. Structure in 2020

7. 2022: The Nano Unit worker (NUW) model continue for one more year to let it stabilize with the hope of receiving the breakeven minimum yield outputs for IAL. However, the end results were disappointing (as shown in exhibits of rationale for change).

# JOURNEY FROM NUW TO NUC

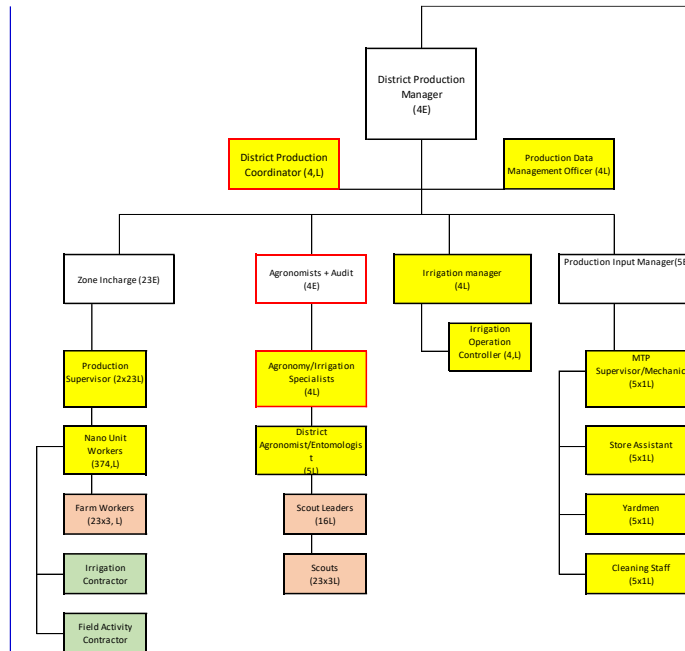


Fig: Official Org. Structure in 2021 & 2022

8. 2023: The NUW to NUC model was implemented for bringing efficiencies in operation and yields.

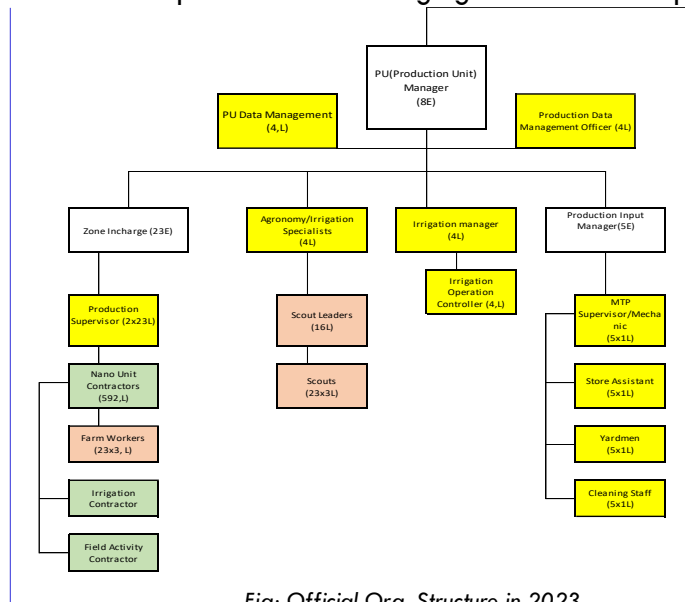


Fig: Official Org. Structure in 2023

### **Rationale of the NUC Transition**

In 2021, Indorama Agro LLC (IAL) implemented the Nano Unit system, which divides the company's land into units of 125 hectares, each managed by a single worker known as a Nano Unit Worker (NUW). This system was designed to improve efficiency and productivity by empowering NUWs to take ownership of their work and make decisions about how to best manage their land and crops.

NUW's received a fixed monthly salary and a variable incentive scheme linked to their yield. This was done to motivate them to achieve high yields, which benefitted both IAL and the farmers who work on the Nano Units.

The introduction of Nano Unit system has shown significant increases in morale and productivity.

Here is a summary of the key features of the Nano Unit system:

- Each Nano Unit was ~125 hectares in size.
- Each Nano Unit was managed by a single worker known as a Nano Unit Worker (NUW).
- NUWs received a fixed monthly salary and a variable incentive scheme linked to their yield.
- NUWs were empowered to make decisions about how to best manage their land and crops.

IAL's Nano Unit system is intended to be an innovative approach that enhances its operations and benefits its employees and farmers. By connecting them to the land, it gives them the flexibility to work and the accountability for their own land. It also helps to organize the sector and improve productivity and sustainability.

During 2021, many Nano Unit Workers (NUWs) and Production Unit team of IAL complained that the 125-hectare Nano Units were too large to manage effectively. They also requested more autonomy in field operations.

One of the challenges was that NUWs often had to manage two crops at the same time, such as cotton and wheat. This was reportedly overwhelming, especially during peak planting and harvesting seasons. NUWs also felt that they did not have enough control over manual field activities, such as irrigation, chipping, and weeding. These activities were typically carried out by irrigators and chippers who were paid (by IAL directly) based on the number of hectares they worked on. However, NUWs were responsible for monitoring the quality of their work.

Feedback from NUWs suggested that the size of Nano Units be reduced to 75-80 hectares, and that they be given more autonomy in field operations. This would allow them to focus on managing a smaller area and make decisions about how to best utilize their resources.

## JOURNEY FROM NUW TO NUC

### Challenges:

- **Large size:** 125 hectares was a large area of land to manage, especially for a single individual (NUW). This was especially challenging during peak planting and harvesting seasons, when NUWs had to juggle multiple tasks.
- **Multiple crops:** Many NUWs had to manage two or more crops at the same time. This was difficult to coordinate, as different crops had different requirements in terms of planting, irrigation, fertilization, and pest control.
- **Lack of autonomy:** NUWs did not have a lot of control over manual field activities, such as irrigation, chipping, and weeding. This was challenging, as NUWs are ultimately responsible for the performance of their Nano Units.
- **Theft:** Theft was a common problem in agriculture, and Nano Units were no exception. NUWs had to be constantly on the lookout for thieves, which could be time-consuming and stressful.

Year	Cotton	
	Yield/Ha (in MT)	
	Contract Farming	Direct Farming
2020	2.65	1.43
2021	2.35	0.96*
2022	2.71	1.35

Table 1.: Comparison between Contract Farmer and IAL direct farming yields over past years

\*The yield of cotton in 2021 was lower than in 2020. Based on some observations and reports, the following factors have contributed to the poor performance of cotton cultivation:

1. There was negligence in field supervision activities. In some cases, it was noted that the edges of the field had proper yield likely due to activities done properly while in others, in the middle of the same field, plant strength and yield were limited or almost negligible.
2. The cotton bolls were grazed by cattle as the NUWs were not much concerned about the final yield due to the fixed monthly salary system.
3. The cotton was stolen from the ready fields by unknown individuals while the NUWs ignored this or did not take action as they did not have any ownership to bring the final yields.
4. Some of the fertilizer meant for the fields was sold in the open market as the NUWs did not control the application..

### Rationale for the move from NUW → NUC:

- **Reduce the size of Nano Units:** Reducing the size of Nano Units to 75-80 hectares would make them more manageable for NUWs, especially those who have multiple crops.
- **Give NUWs more autonomy:** Giving NUWs more control over manual field activities would allow them to make decisions about how to best utilize their resources and improve the efficiency of their operations.

## JOURNEY FROM NUW TO NUC

- **Invest in security measures to prevent theft:** Investing in security measures, such as fences, more round the clock security staff, cameras, could help to reduce theft from Nano Units.
- **Develop a system for monitoring and evaluating NUW performance:** A system for monitoring and evaluating NUW performance would help to identify areas where NUWs need support and to ensure that Nano Units are being managed effectively.

Considering the feedback from NUWs and production team that the 125-hectare units were too large to manage effectively, and that they needed more autonomy in field operations. **Also, Management compared the yields achieved by the direct Farmers and the contract farmers of the company.** See Table 1 for details.

In response to this feedback, IAL developed a new proposed approach which provided for contractor-based model called the Nano Unit Contractor. Under this proposal, NUWs would form individual LLC companies and act as contractors for IAL. They would manage a smaller land unit of ~80 hectares instead of 125 hectares, and they would have more control over field operations. To facilitate this change, IAL would reimburse the LLCs for the cost of hiring irrigators, chippers, thinners, and biological releases based on a mutually negotiated rate. IAL would also pay the applicable taxes for the LLCs and IAL would support these Individual LLC's in meeting taxation related obligations by assigning dedicated tax consultants. The Nano Unit Contractor proposal has several benefits for both IAL and the NUWs. For IAL, the proposal would lead to improved efficiency and productivity, as NUWs would be able to focus on managing a smaller area and make decisions about how to best utilize their resources.

For the NUWs, the proposal would provide them with **more autonomy and the opportunity to earn a higher income.** Under the NUW system, NUWs are not allowed to directly pay field workers. However, as contractors, they would be able to hire field workers and earn a percentage of the profits.

IAL proceeded with the Nano Unit Contractor (NUC) approach as a possible solution for the NUWs who struggle to keep a control over their field activities, transitioning them to be independent contractors for the company. This way, they can receive a higher supervision rate that matches their monthly salary and avoid losing their fixed income. Overall, the Nano Unit Contractor proposal is expected to be beneficial for both IAL and the NUWs. It has the potential to improve efficiency, productivity, and profitability for IAL, while also providing NUWs with more autonomy and the opportunity to earn a higher income.

### Benefits Comparison: NUW's Vs NUC's

NUW (Nano Unit Workers)		NUC (Nano Unit Contractors)	
Fixed Component (Uzs)	2,500,000.00	Fixed component (Supervision charge) - ref Calculation Annexure 1	2,536,500.00
Variable component:		Variable component:	
	34,000,000	Yield Output (guaranteed payment on	21,807,500.00

## JOURNEY FROM NUW TO NUC

Yield output (At base achievement)		achieving base target)- ref Calculation Annexure 1	
		Payment based on individual activities (activity based earning capacity for the contract)- ref Calculation Annexure 2	165,585,700.00
Additional benefits (Hay bales @50% of market rates or take payment)	3,750,000	Straw or cotton stalks	5% area equivalent of wheat straw press from the contracted land on wheat crop 5% of area equivalent of cotton stalks from the contracted land on cotton crop
0.5 ha of land for cash crops (other than IAL's primary crops) IAL supported with inputs, machinery	7,500,000	2 ha of land for cash crops (legumes) IAL supports with input, machinery	Upon achieving Cereals Target and subject to allocation of water by District Government
Mandatory accidental insurance	50,000,000	Mandatory accidental insurance	50,000,000
Sick leave as per the law of Uzbekistan	60% of daily wage	NUCs are not held for attendance	Yes Flexibility is provided and they are not employees.
Paid Leave 15 days per year	1,250,000	Sick Leave - Gets full supervision charges per month even on sick leave	Yes. Irrespective of the health condition full supervision charges are paid
Maternity benefits (Pre & Post Maternity)	126 days	Paid Leave - Coming to work and taking off is regulated by NUC themselves	Yes
Contract for 11 months	-	Contract is extendable for every crop season	Yes
Taxation was on the employee	-	NUCs can earn extra by doing some small fieldwork and get reimbursement from IAL	Yes, provided the activity is mentioned in their contract
		Can bring people from their own households or network	Yes, child and forced labour completely prohibited
		Tax liability is now on IAL	
		Some of IAL Collective agreement provisions may also be applied to the elected as members of the TU committee (in the part of additional benefits provided at the expense of the trade union budget).	All NUCs have a right to form a separate Trade Union committee
		Internal Regulations (IR) of IAL are not applicable for NUCs as it is applicably only for employees working under the employment contracts.	The POSH, Farm worker's Code of conduct and Ethics policies are applicable to NUCs.



## JOURNEY FROM NUW TO NUC

### Benefits administration

Overall Average Payout Status			
Average Payout for Supervision Charges per NUC	16,042,252	Uz Soum	YTD Aug'23
Average Payout for Field Activities for Cotton per NUC	53,335,621	Uz Soum	YTD Aug'23

### Annexure 1: Illustrative Calculation of a working LLC (NUC) in Syrdarya, Oqoltin

Cotton Counter	ha	Target payment	Base yield centner per HA	In MT	Multiplier	Supervision charge	Incentives
217	26.60	30,000.00	25	66.5	11,000.00	798,000.00	7,315,000.00
218	8.00	30,000.00	25	20	11,000.00	240,000.00	2,200,000.00
220	3.00	30,000.00	25	7.5	11,000.00	90,000.00	825,000.00
221	5.70	30,000.00	25	14.25	11,000.00	171,000.00	1,567,500.00
<b>Subtotal</b>	<b>43.30</b>		<b>100</b>	<b>108.25</b>		<b>1,299,000.00</b>	<b>11,907,500.00</b>

Wheat Counter	ha	Target payment	Base yield centner per HA	In MT	Multiplier	Supervision charge	Incentives
229	49.50	25,000.00	40	198	5,000.00	1,237,500.00	9,900,000.00
Subtotal	49.50		40.00	198.00		1,237,500.00	9,900,000.00
<b>Grand Total</b>	<b>92.80</b>		<b>140.00</b>	<b>306.25</b>		<b>2,536,500.00</b>	<b>21,807,500.00</b>

## JOURNEY FROM NUW TO NUC

**Annexure I Areas Allocated for Service and Target Yield**

Name of the LLC	Sub-Dist name	Zone	Contour No.	Crop : 2022-23	Area, Ha	Estimate by bablanity	Base Yield (Cotton, Wheat & Barley yield), Centner per Ha	Base Yield (straw yield)
MChJ nomi	Hudud nomi	Zona	Kontur raqami	Ekin	Maydon, Ga	Balbanitet ko'rsatkic hi	Hosil rejasi (Paxta, Bug'doy va Arpa hosil), Centner bir Ga	Hosil rejasi(Somon hosil)
Mardonov Xumoyun Service	A.Toirov	Z.2	217	Cotton/Paxta	26,60	50,0	25,00	
Mardonov Xumoyun Service	A.Toirov	Z.2	218	Cotton/Paxta	8,00	50,0	25,00	
Mardonov Xumoyun Service	A.Toirov	Z.2	220	Cotton/Paxta	3,00	50,0	25,00	
Mardonov Xumoyun Service	A.Toirov	Z.2	221	Cotton/Paxta	5,70	50,0	25,00	
Mardonov Xumoyun Service	A.Toirov	Z.2	229	Wheat/G'alla	49,50	50,0	40,00	16,00

Wheat	Base	T1	T2	T3	T4	T5
Centenar/ha	40 to 44.99	45 to 49.99	50 to 54.99	55 to 59.99	60 to 64.99	More than 65
Multiplier Uz Soum/ Centenar/ Ha	4,000	5,000	6,000	7,250	8,750	10,500

Barley	Base	T1	T2	T3	T4	T5
Centenar/ha	35 to 39.99	40 to 44.99	45 to 49.99	50 to 54.99	55 to 59.99	More than 60
Multiplier Uz Soum/ Centenar/ Ha	4,000	5,000	6,000	7,250	8,750	10,500

Cotton	Base	T1	T2	T3	T4
Centenar/ha	25 to 29.99	30 to 34.99	35 to 39.99	40 to 44.99	More than 45
Multiplier Uz Soum/ Centenar/ Ha	11,000	12,500	14,500	17,000	20,000

**Annexure 2: Illustrative Calculation of agriculture activity services cost**

Name of activities	Unit	H A	Rate	Total Payment
Irrigation of non-developed	per HA	100	181,035.00	18,103,500.00
Irrigation of Alternate Row	per HA	100	120,689.00	12,068,900.00
Releasing Biologicals	per HA	100	30,171.00	3,017,100.00
Chipping- I	per HA	100	241,379.00	24,137,900.00
Chipping- II	per HA	100	156,896.00	15,689,600.00

Name of activities	Unit	H A	Rate	Total Payment
Irrigation of non-developed	per HA	40	181,035.00	7,241,400.00
Irrigation of Alternate Row	per HA	40	120,689.00	4,827,560.00
Releasing Biologicals	per HA	40	30,171.00	1,206,840.00
Chipping- I	per HA	40	241,379.00	9,655,160.00
Chipping- II	per HA	40	156,896.00	6,275,840.00

## JOURNEY FROM NUW TO NUC

<b>Chipping- III</b>	per HA	10 0	132,75 7.00	13,275,700.0 0
<b>Nipping-I</b>	per HA	10 0	120,68 9.00	12,068,900.0 0
<b>Thinning</b>	per HA	10 0	199,13 9.00	19,913,900.0 0
<b>Loading &amp; Unloading Charges (per bag 25 kg)</b>	Per bag		318.00	0.00
<b>Loading &amp; unloading charges (per bag 50 kg)</b>	Per bag		637.00	0.00
<b>Pit digging on the ground for Tree Plantation</b>	Per bag		820.00	0.00
<b>Tree planting</b>	Per bag		318.00	0.00
<b>Irrigation Reonstrudion-Misc Work</b>	Per day		84,483. 00	0.00
<b>Lactoc crossing underground pipeline activity</b>	Per piece		200,27 6.00	0.00
<b>Mulberry Chipping</b>	per HA		362,06 8.00	0.00
				<b>118,275,500.00</b>

<b>Chipping- III</b>	per HA	4 0	132,75 7.00	5,310,28 0.00
<b>Nipping-I</b>	per HA	4 0	120,68 9.00	4,827,56 0.00
<b>Thinning</b>	per HA	4 0	199,13 9.00	7,965,56 0.00
<b>Loading &amp; Unloading Charges (per bag 25 kg)</b>	Per bag		318.00	0.00
<b>Loading &amp; unloading charges (per bag 50 kg)</b>	Per bag		637.00	0.00
<b>Pit digging on the ground for Tree Plantation</b>	Per bag		820.00	0.00
<b>Tree planting</b>	Per bag		318.00	0.00
<b>Irrigation Reonstrudion-Misc Work</b>	Per day		84,483. 00	0.00
<b>Lactoc crossing underground pipeline activity</b>	Per piece		200,27 6.00	0.00
<b>Mulberry Chipping</b>	per HA		362,06 8.00	0.00
				<b>47,310,20 0.00</b>

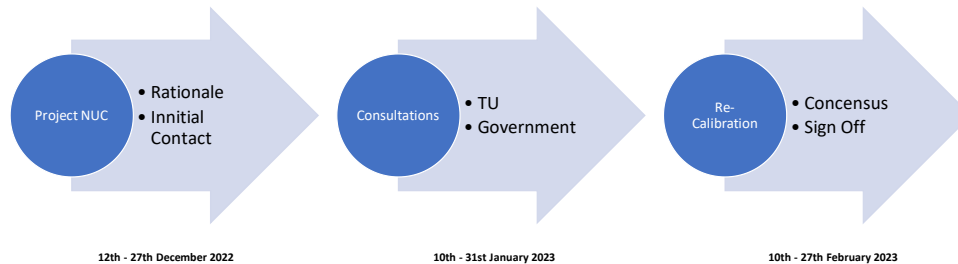
<b>Grand total</b>				<b>165,585,7 00.00</b>
--------------------	--	--	--	------------------------

NO.	Name of works in English	Name of works in Uzbek	English unit	Uzbek unit	Price with all taxes Narhi barcha solliqlar qo'shilgan holda
1	Irrigation of non-developed	Реконструкция қилинмаган далаларда сугорилган ер майдон	ha	га	181 035
2	Irrigation of Alternate Row	Қатор ташлаб сугориш	ha	га	120 689
3	Irrigation of developed	Реконструкция қилинган далаларда сугорилган ер майдон	ha	га	96 552
4	Releasing Biologicals	Биологик ҳашоротларни экин майдонига учиртириш	Ha/	га	30 171
5	Chipping – I	1-чопиқ учун	ha	га	241 379
6	Chipping-II	2-чопиқ	ha	га	156 896
7	Chipping-III	3-чопиқ учун	ha	га	132 757
8	Nipping-I	1-чеканка учун	ha	га	120 689
9	Thinning	Яғана қилиш	ha	га	199 139
10	Loading & Unloading Charges (per bag 25 kg)	Уруғлик чигитини экиш сеёлкалари бункерига жойлаш (1 қоп/25 кг)	piece	дона	318,00
11	Loading & Unloading Charges (per bag 50 kg)	Уруғлик чигитини экиш сеёлкалари бункерига жойлаш (1 қоп/50 кг)	piece	дона	637,00
12	Pit digging on the ground for Tree Plantation	Дарахт экиш учун чуқур қазитиш (1 та чуқурига)	piece	дона	820,00
13	Tree planting	Дарахт экиш	piece	дона	318,00
14	Irrigation Reonstrudion-Misc Work	Сугориш тизимини реконструкция қилиш	day	кун	84 483,00
15	Lactoc crossing underground pipeline activity	Латокнинг ер ости труба қисмини лойдан тозалаш	piece	дона	200 276,00
16	Mulberry Chipping	Тўтқи буташ	Ha	га	362 068,00

## JOURNEY FROM NUW TO NUC

### Consultation Process

The consultative process for the proposed change of NUW's to NUC's was a comprehensive and inclusive one and included a wide range of stakeholders, including government officials, business leaders, and Trade Union representatives.



The consultative process was important in ensuring that all stakeholders had an opportunity to provide input on the proposal. The feedback from stakeholders was generally positive, with many expressing support for the proposed change. A total of eight major consultation/explanation meetings were held with our internal stakeholders (TU) where during the final meeting held on 27<sup>th</sup> February 2023, the NUC system was officially agreed upon and adopted by IAL and the TU (See Annex 1). This feedback was taken into account when finalizing the proposal, which was then submitted to the government for approval.

While the consultations started from the last week of December 2022, the contracts of the Nano Unit Workers (NUWs) at Indorama Agro (IAL) were set to expire on December 31st. On December 27th, IAL held the first meeting with the Trade Union of Syrdarya and Kashkadarya to inform the NUWs that their term contracts would not be renewed in 2023 and that IAL was proposing a new model, the Nano Unit Contractor Model, which would replace workers with contractors.



*Fig. Discussions in progress at Gulistan, Syrdarya*

## JOURNEY FROM NUW TO NUC

At the same time, last week of December 2022, IAL issued a statement reassuring the NUWs that they were committed to working with them to implement a mutually beneficial model. The company did not retrench or terminate the contracts of the NUWs. They had a one-year seasonal contract that ended annually. Next year, NUWs would enter a new agreement, including a new compensation and bonus scheme, if the parties agree.

Government officials invited company representatives to explain their motives behind the NUC project. The company explained that the new system would allow employees to work more independently and efficiently, without the need for fixed days of supervision. The company also assured the government that there would be no job losses associated with the NUC project.

Regarding NUC payments, the company explained that it would be reducing the field size for each employee, but that employees would still maintain their earnings. This was necessary to balance the company's yearly earnings. The government provided some suggestions on how the company could improve its communication and implementation of the NUC project, and the company took these suggestions into consideration.

In order to address any outstanding concerns of its employees, the company invited the Deputy Governor of Syrdarya to the Toirov farm depot to explain the benefits of the NUC project in person. The Deputy Governor explained that NUC employees would have autonomy in their work, a guaranteed monthly income, and a percentage of earnings from every activity. He also explained that NUC employees would be able to contribute to the social security fund and receive social benefits, thanks to their LLC status. Additionally, the company had taken accidental insurance for all NUC employees and would be paying additional taxes on their behalf. The Deputy Governor's explanation seemed to reassure the employees, and many of them expressed their support for the NUC project. They were particularly excited about the prospect of having greater autonomy in their work and being rewarded for their performance.

In an effort to address the concerns of the TUs, the company promised to pay the NUCs their supervision fee for January 2023, regardless of how many days they worked, even if the new LLC agreement started on the 1st, 15th, or 30th. This was because the supervision rate is based on the hectares they will manage per month, and not the number of days they worked.

## JOURNEY FROM NUW TO NUC



Fig. Discussions in progress at Oqoltin and Sardoba , Syrdarya

### Suggestions Vis-a-vis Actions Taken

SL. No	3.1. Proposals from TU side	3.2. Action Taken ( Summary )
1	To increase supervision rate	Supervision rate increased to 30000 sums/ga for cotton per month, cereals – 25 000 sums/ga per month (see p.3.3. of NUC contract, PPT 3 - attached)
2	Payment for biological release is to be done for every release separately	payment for biological release is being done for every release separately, if there are four releases in a month, for four completed releases total payment are paid once in a month.
3	Irrigation payment rates should be reviewed on a case-by-case basis depending on the developed/levelled or undeveloped lands	Irrigation rates revised from 01 October 2023
4	Chipping payment should be revised upon completion of works	Chipping payment should be revised upon completion of works already finalized by the both parties if any change required – next cotton season
5	For timely manage of agricultural works by the NUC, requested to pay advance payment for NUC which will be deducted from the amount shown in Acts of the completed works	Advance payment at the rate of 20% have been paid to NUCs based on the total hectare of the operation.
6	Needed after the wheat harvesting to leave some part of the land without plowing in order to allow the nearest population to feed their cattle and to prevent the cattle grazing in cotton fields	Information on the unplowed land after the wheat harvesting is being provided to mahalla's raises.
7	Pump secure – to make an agreement on secure of pump with 2 mln sums salary	Additional payment at the rate of 500 000 sums for each NUC for securing of electric pumps and containers, this payment is done additional as they have the material responsibilities for the pumps.
8	Allocation of two hectares of land to NUCs for second crop. *Subject to water availability	If target achieved in cereals crop and subject to allocation of water by Administration, two Ha of land will be given to NUC for farming green grams on area designated by IAL. The seeds of green grams will be provided free by the IAL (see Annex 2,3, PPT 3 and p.10.1. of the NUC contract - attached)
9	Wheat straw press – for workers	If target achieved in cereals crop, 5% area equivalent of wheat straw press from the contracted land on wheat crop will be given to NUC (Annex 2 , 3)
10	Cotton Stalks – for workers	If target achieved in Cotton crop, 5% of area equivalent of cotton stalks from the contracted land on cotton crop will be given to NUC (see Annex 2, 3). For cotton picker workers or mahalla community IAL is giving cotton stalks under CSR activity

## JOURNEY FROM NUW TO NUC

11	<p><i>In order to quickly resolve issues at the peak of season, needed to form a working group (commission).</i></p>	<p><i>At the initiative of the Company management the parties formed a bilateral committee on social and labor issues with the following members (order № 67/03 dated April 4, 2023, attached):</i></p> <p><i>Representatives of the EMPLOYER:</i></p> <ol style="list-style-type: none"> <li><i>1. Arindam Banerjee</i></li> <li><i>2. District HR manager</i></li> <li><i>3. District GR</i></li> <li><i>4. Commercial (local)</i></li> <li><i>5. District PU coordinator (local)</i></li> <li><i>6. District PU manager (expat)</i></li> </ol> <p><i>Representatives of the FE Indorama Agro LLC's TRADE UNION Committee:</i></p> <ol style="list-style-type: none"> <li><i>1. Sherzod Alibaev</i></li> <li><i>2. Husniddin Bultakov</i></li> <li><i>3. Akmal Mamarasulov</i></li> <li><i>4. Gulom Mingliev</i></li> <li><i>5. Shovkat Abdurasulov</i></li> <li><i>6. Oдина Boltayeva</i></li> </ol>
----	--	---

### A summary of the suggestions that IAL- TU, Regional Trade union body members gave at the discussions for NUC implementation during December 2022 and January 2023

The following suggestions were made by the representatives of Regional and IAL TU representatives for NUC implementation during December 2022 & January 2023:

1. To establish a Yield target depending on the soil bonitet<sup>1</sup> of each zone which will be measured by specialists (laboratory analysis) in presence of agricultural specialists (Agro complex and others) and about the results the NUC should be informed.
2. Timely consideration by IAL of NUC's demands for timely delivery of water, machinery, minerals, chemicals and others.
3. IAL is to support of NUCs in timely managing of agro-technical works;
4. IAL is to provide with the agricultural machinery which is in good working condition in order to provide 100% effective work;
5. Offered to increase the rates of payment for Reconstruction workers;
6. To improve effectiveness of bio-laboratory. Suggested to hire more qualified specialists to the positions of entomologists in order to effectively organize the fight against pests of agricultural crops using biological methods.
7. Payment for biological release – this process cannot be done as per suggested by IAL preliminary fixed plan, because it is also depending on weather and other conditions too. So, payment for biological release is to be done for every release separately or if there are four releases in a month, for four completed releases total payment is to be paid once in a month.
8. IAL – is to take into consideration all suggestions and requests of local agronomists. Needed to hire specialists with higher education and relevant experience to the position of agronomist.

---

<sup>1</sup> Soil bonitet (B) is a quantitative assessment of its natural fertility and is expressed as a score in the range from 0 to 100.

9. Irrigation - how many times to irrigate depends on the condition of the land and the planted crop. Thus, irrigation payment rates should be reviewed on a case-by-case basis depending on the developed/levelled or undeveloped lands.
10. Chipping – depends on the land condition and weather. So, chipping payment should be revised upon completion of works.
11. For timely manage of agricultural works by the NUC, requested to pay advance payment for NUC which will be deducted from the amount shown in Acts of the completed works.
12. TU members mentioned that it is necessary after the wheat harvesting to leave some part of the land without plowing in order to allow the nearest population to feed their cattle and to prevent the cattle grazing in cotton fields.
13. Pump secure – to make an agreement on secure of pump with 2 mln sums salary.
14. Allocation of two hectares of land to NUCs for second crop.
15. Straw bales – for workers;
16. Cotton Stalks – for workers.
17. To quickly resolve issues at the peak of season, needed to form a working group (commission).

### **Attendees for stakeholder consultation series (see Annex 4):**

#### **Regional and district Hokimiyat representatives:**

Sirdarya region Deputy Hokim – Dilmurod Abdurahmonov;

Sardoba district deputy Hokim – Iskandar Tojiev;

Oq-oltin district deputy Hokim – Feruzbek Davronov

Syrdarya regional governor meeting with IAL – 26<sup>th</sup> January, 2023

Syrdarya regional governor Field Visit to Oqoltin and Sardoba – 28<sup>th</sup> January 2023

#### **IAL Trade Union & Syrdarya Regional Trade Union representatives:**

Regional TU lawyer - Shirin Umaraliev;

Regional TU, head of department - Dilmurod Pirmanov;

Chamber of Gulistan City Trade Union Council - Karshiboy Eshnazarov.

Regional Agrocomplex (Chamber of Regional ACM Council) Inomjon Shokirov,

Chamber and members of TU (IAL) and other IAL managers, brigadiers, agronomists

Once the TUs understood that the company was not trying to take away their rights, they encouraged NUWs to start signing the contracts as NUC. Everyone recognized the benefits of the NUC system, and even those who had legal disputes with the company dropped their appeals and signed the contracts. The TU leader confirmed the readiness of the TUs to join the project for mutual gain and without harm to the company.



## JOURNEY FROM NUW TO NUC

### Assimilation Statistics - NUC from NUW

The table below presents the current situation of the former NUW staff in different districts and the new staff hired under the NUC project. full list of names of those who did not receive a contract renewal)

Districts	NUW to NUC	New Vacancy
Kasbi	151	50
Nishon	164	46
Oqoltin	123	38
Sardoba	138	50
<b>Grand Total</b>	<b>576</b>	<b>184</b>

### District wise number of NUW's who did not receive a NUC contract.

Name of the district	Number of Individual Whose contracts were not renewed
<b>Okoltin</b>	<b>17</b>
<b>Sardoba</b>	<b>10</b>
<b>Kasbi</b>	<b>21</b>
<b>Nishon</b>	<b>06</b>

### Current Status

The crop yields for the completed crop season in 2023 has been observed for cereal crop only till this report has been written. In the cereal crops we have witnessed significant change in the yield levels of wheat & barley combined. The average cereal yield per hectare for direct farming operations are approximately 41% higher than the contract farming average yield. This figure is a clear indicator of the success and improvements that NUC structure has brought in along with some other operational improvements. IAL is also optimistic that the cotton season average overall yield/hectare will also be encouraging and better than previous years. The data can be furnished by end December 2023, including the yields comparison of completed crops.

	Cotton		Wheat/Barley	
	Yield/Ha (in MT)		Yield/Ha (In MT)	
	Contract Farming	Direct Farming	Contract Farming	Direct Farming
<b>2023</b>	To be Concluded*	To Be concluded*	2.57	3.62

## Way Forward – Code of conduct

IAL is creating a Code of Conduct for contractors/LLC to be implemented for the Third-Party Workers working and or providing services in IAL premises/leased farms to ensure contracted workers are regarded without discrimination. This third-party worker code of conduct will supplement the existing supplier code of conduct and a draft is found below for stakeholders to comment on.

### **1. Fair Wage Payment**

#### **1.1. Compensation**

- All laborers shall be paid a wage that meets or exceeds the applicable legal minimum wage in their respective jurisdiction.
- Overtime and other wage-related benefits shall be provided as required by local laws and regulations.
- Wage payments shall be made accurately and on a regular schedule, with clear records provided to workers.

### **2. No Forced Labor**

#### **2.1. Freedom of Employment**

- No form of forced labor, including bonded labor, involuntary servitude, or human trafficking, shall be tolerated.
- Laborers must be employed voluntarily, and they have the right to terminate their employment with reasonable notice.

#### **2.2. Recruitment and Documentation**

- Recruitment processes must be transparent and respectful.
- Laborers shall not be required to surrender any personal identification documents as a condition of employment.

### **3. No Child Labor**

#### **3.1. Age Requirements**

- Child labor is strictly prohibited. No one under the legal minimum working age in their respective jurisdiction shall be employed.
- Young workers, where legally employed, shall not be subjected to hazardous work conditions, and shall receive appropriate protection.

### **4. Workplace Safety**

#### **4.1. Health and Safety**

- Laborers shall have a safe and healthy working environment, with access to necessary safety equipment.
- Adequate training and information shall be provided to mitigate workplace risks.
- Contractor will provide all PPEs (if any required) to execute the assigned task.
- Contractor ensures the decent work environment and hygiene of workplace.

#### **4.2. Emergency Preparedness**

- Procedures and resources must be in place for handling emergencies and accidents in the workplace.

### **5. Non-Discrimination and Respect**

#### **5.1. Equal Treatment**

- All laborers shall be treated with dignity and respect, regardless of race, colour, religion, gender, age, national origin, sexual orientation, disability, or any other protected characteristic.
- Discrimination, harassment, or any form of intimidation is strictly prohibited.

### **6. Sexual Harassment**

#### **6.1. Prevention and Reporting**

- Sexual harassment is not tolerated. Laborers must be able to work free from any form of sexual harassment.
- A clear procedure for reporting harassment should be established, ensuring confidentiality and protection for those who report.

### **7. Ethical Conduct**

#### **7.1. Integrity**

- Laborers are expected to act with honesty, integrity, and professionalism in all their dealings with IAL and its stakeholders.
- Contractor will not deploy the employees of IAL.
- compliance with the principles of commercial secrecy

### **8. Compliance and Monitoring**

#### **8.1. Compliance**

- IAL reserves the right to audit and monitor labour practices to ensure compliance with this Code of Conduct.

#### **8.2. Remediation**

- In cases of non-compliance, corrective actions should be taken promptly, including potential termination of the contractual relationship.

### **9. Reporting Violations**

- Laborers are encouraged to report any violations of this Code of Conduct to IAL through our grievance management channel, human resource department and or relevant authorities as they feel deemed fit to.

### **Future Plan :**

- Third party monitoring system on the basic pillars of decent working conditions would be strengthened on the contractual third party works.
- LLC coordination committee to be created for smoother operations
- Yield linked reward system to be reviewed and creation of prestigious honorary awards like Best LLC Cereals/Cotton etc.

### **Conclusion**

By agreeing to work on behalf of IAL, all third-party laborers and subcontractors acknowledge their commitment to upholding the principles outlined in this Code of Conduct. Failure to adhere to these principles may result in contractual consequences.

IAL is dedicated to fostering a safe, ethical, and inclusive working environment for all laborers and expects the same commitment from its third-party partners.

### Testimonials from current NUCs

---

#### English Translations

##### **1. Kolyorov Husan Bobokulovich, 2023**

*The difference between 2022 and 2023 crop year - that in 2022 – I was responsible for managing an assigned of 135,2 ga of land, salary rate amounted to 1 500 000 sums. Now, in 2023 – I'm responsible for managing of 106,9 ga, salary amounts to 2 800 000 sums. So, I'm satisfied with the present crop structure and system.*

##### **2. Khakberdiev Husan Shirinkulovich**

*In 2022 I was responsible for managing of 120 g of land (Counters – 162-13.2, 164- 29.3, 166- 27.5, 170 – 15.8, 169 – 35.4.). Salary amounted to 2 400 000 sums. In 2023 – for supervising of wheat, I'm paid 25 000/g, 30 000 / g of cotton. Now, I'm responsible for managing of 42.5 ga of wheat, 46 ga of cotton. I'm very happy with the present system.*

##### **3. Kholyorov Khasan Boboqulovich**

*In 2022 I was responsible for managing of 120 ga of land (Wheat +cotton). Salary amounted to 1 700 000 sums. In 2023 – total area I/m responsible for managing is – 120 ga (cotton+wheat). Salary amounts to 3 000 000 sums.*

##### **4. Abilov Shavkat Saydievich**

*I'm working for Indorama starting from 2019 as a brigadier. Starting from January 2023 I'm working as NUC, involving all my family members. For each kind of performed works IAL paid separate payment. It's more suitable for me.*

##### **5. Momirov Ollomurod Boymirzayevich**

*I'm responsible for managing of 85 ga of cotton. For the names of NUCs were opened LLCs by IAL. The salary and payments for all performed works are directly transferred by IAL in time to the accounts of the LLCs. I'm satisfied with the NUC (family business) system.*

##### **6. Bultakov Nodir**

*I'm working as NUC (family business) starting from January 2023. For me, NUC system – is better, as I can involve my family members and we are getting timely payment for each performed kind of works. I'm responsible for managing of 72 ga of land and I'm sure that we will do all agro technical works in time.*

## 7. Kunarov Akmal

*I'm working for Indorama from March, 2019 till December 2022 as a brigadier. During the past period I was paid only fixed salary. Starting from January 2022 I'm working on LLC basis. Now, as NUC (LLC). The present system is more profitable for our family, as I'm getting more profit in compare with past three years of my activity in IAL. As we are getting not only fixed salary, but we got bonus depending on reaching of target and now getting the additional payment for each kind of performed type of works. And it is like family business, as we can involve all family members to our activities. So, this system is more profitable and suitable for us.*

### Annexures

**Annex.1.** MOM between IAL and TU Committee on discussion point by point the final version of NUC contract dated February 27, 2023

**Annex.2.** FAM NUC Project V 3.0

**Annex. 3.** NUC contract, point 10.1.

**Annex. 4.** Attendance lists on December 27, 28, 29 (Sardoba and Oq-Oltin), 2022, Jan. 14, 18, 2023, Feb. 27, 2023