

## **Project Description**

Luxun is a company based in Mexico whose activities entail the development, installation, commissioning and operation of photovoltaic systems under the distributed generation scheme (<500kW of capacity) on roofs of already built commercial & industrial (C&I) buildings such as self-service stores, warehouses, and industrial plants with an average installation (kWp) of 150 kWp. It currently has a total installed capacity of more than 3.5 MWp, and with the Subnational Climate Fund (SCF) investment is expected to grow the platform to more than 160MW during the next five years. In the future, Luxun may also partner with other Distribution Generation companies to develop small photovoltaic projects below 500kW that will be then acquired by Luxun.

## **Intended beneficiaries**

Distributed generation (DG) solar projects can help Mexico reduce its reliance on fossil fuels and avoid emissions by providing households, communities, and non-residential buildings such as companies, universities, hospitals, and shopping malls at the subnational level with clean energy.

In addition, the project is expected to contribute to the generation of direct and indirect employment and skills development in the communities, given that there will be multiple installations and related job opportunities across the country.

## **Duration of the proposed sub-project**

Luxun is a platform investment that SCF expects to develop and provide equity financing during the holding period, which is expected to last around 5 years. The investment team estimates to maintain the investment in Luxun for the long term and exit the platform depending on the platform readiness and market appetite for the energy platform. It is assumed that the platform buyer will continue operating and maintaining the solar systems installed under the long-term agreement with clients and developing additional solar projects leveraging the company's capabilities. Nevertheless, SCF has the flexibility to keep the investment for a longer period given that the term of the revenues contracts, including the Power Purchase Agreements (PPAs) and long-term finance sales, is between 10 and 20 years.<sup>1</sup>

## **Scope of Review**

Pegasus' environmental and social due diligence (ESDD) and appraisal included:

- A review of E&S documentation (policies, employee handbook, etc.)
- A Reputational Risk Review (RRR)

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<sup>1</sup> There can be no guaranty that the duration of the sub-project will have the duration described as transactions will be conducted on attractive terms.

- Appointment of a third-party consultant to conduct the Environmental and Social Impact Assessment (ESIA) and Environmental and Social Management/Action Plan (ESMP/ ESAP), incl. a review of existing policies and procedures, and two site visits
- ESDD questionnaire and interviews with the management and employees

The appraisal focused on reviewing the ESIA and ESMP/ESAP, corporate policies and procedures vis-à-vis federal, state, and municipal applicable legislation, IFC Performance Standards and applicable World Bank Group (WBG) EHS Guidelines, and Gold Standard.

### **Reputational Risk Review (RRR)**

A RRR's objective is to assess a company's E&S Reputational issues using free public sources of information (Internet) in a methodological way. The Methodology includes:

- Google search using key words (such as "Luxun + Mexico + accident", "Luxun + Mexico + labour litigation", "Luxun + Mexico + human rights", etc.)
- The screening of a set of strategic web sites (Land matrix, Environmental Justice Atlas, Global Forest Watch, WWF, Greenpeace, Human Rights Watch, Amnesty International etc.)
- Screening of Social Media platforms including Facebook and Twitter

The RRR can extend to a particular sector and geography that are relevant for the target company. It can also extend to other specific matters that are relevant for the assessment (Corruption Perception Index, Human Development Index, etc.).

The RRR of the Project covers the activities of Luxun in Mexico. There were on direct or indirect hits.

### **Environmental & Social Project Categorization and Applicable Standards**

SCF's ESMS categorizes E&S risk at a Sub-Project level according to the IFC Performance Standards, a widely recognized and accepted framework designed for private sector investments. This risk-based categorization approach distinguishes those projects with an undefined scope as in the case of corporate loans or equity, recognizing the practical constraints to disclosure associated with projects that have an undefined or limited scope at the time of approval.

Given the nature of the environmental and social risks associated with development, installation, commissioning and operation of photovoltaic systems on roofs of existing buildings under the distributed generation scheme with a capacity lower than 500kW, the investment is screened as a Category B. Potential negative environmental and social risk and impacts are limited, site-specific, and can be addressed through appropriate environmental and social mitigation measures.

Key issues and impacts identified during appraisal include the need of an environmental and social management system (ESMS), development and effectiveness of ongoing implementation, environmental residual impacts associated with improper handling of waste or materials spills which can cause soil contamination and synergistically affect water, proper waste management sites, and workers' health and safety during the installation of solar panels.

While all Performance Standards are applicable to this investment, the ESIA and Pegasus' environmental and social due diligence indicate that the investment will have impacts which must be managed in a manner consistent with the following IFC Performance Standards:

PS 1 - Assessment and Management of Environmental and Social Risks and Impacts

PS 2 - Labor and Working Conditions

PS 3 - Resource Efficiency and Pollution Prevention

PS 4 - Community Health, Safety and Security

Issues related to PS5: Land Acquisition and Involuntary Resettlement, PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources, PS7: Indigenous Peoples and PS8: Cultural Heritage are not relevant given that solar panels will be installed on the roofs of already built and operating constructions/ buildings.

### ***Environment and Social Management System (PS1)***

#### **E&S Management System**

While Luxun has certain policies and procedures in place, a comprehensive and formal environmental and social management system does not exist yet. The following documents are taken as references to address certain E&S aspects:

- Luxun Group Code of Ethics.
- Luxun Group Code of Conduct for Security Personnel.
- Luxun Group Identification of Risks in Terms of Human Rights and Corruption.
- Luxun Group Emergency Response Plan.
- Luxun Group Communication Plans and Stakeholder Participation.
- Luxun Group Human Rights Policy.
- Luxun Group Employee Policy.
- Luxun Group Policy for the Prevention of Forced Labor and Child Labor Practices.
- Luxun Group Health and Safety Policy.

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- Luxun Group Environmental Policy.
- Luxun Group Purchasing Policy and Procedures.
- Luxun Group Contracting Services Policy and Procedures.
- Luxun Group Corporate Social Responsibility Program.
- Luxun Group Waste Management Program.
- Luxun Group Protocol for Receiving Complaints and Reports.
- Employee handbook
- Occupational Health and Safety manual

Mitigation measures for managing E&S impacts were identified and an ESMP/ ESAP was developed by a third-party consultant to help Luxun define roles and responsibilities, measures, reporting and monitoring requirements. A critical part of the ESMP/ ESAP is that Luxun is required to develop a comprehensive ESMS to manage risks to be compliant with SCF's ESMS and the reference framework.

### E&S Risk and impact evaluation

An Environmental and Social Impact Assessment (ESIA) was conducted against the reference framework by a third-party consultant assessing the corporate policies and procedures vis-à-vis federal, state, and municipal applicable legislation, IFC Performance Standards and applicable World Bank Group (WBG) EHS Guidelines, and Gold Standard.

The ESIA identified and classified the potential E&S impacts, evaluated the magnitude and meaning of the impacts, described the relevant impacts and identified the cumulative and residual impacts.

Key environmental impacts are associated with improper waste management or spills of hazardous materials and wastes that can cause residual contamination in the soil and subsoil and, therefore, synergistically affect surface and groundwater, so they must be monitored to ensure that there are no leachates and migration of contaminants outside the temporary storage areas. All environmental impacts that Luxun could generate are cumulative; however, no impact is significant but rather low, so they can be reduced or eliminated with proper prevention and mitigation measures. Concerning the synergistic impacts, the impacts that present the highest levels of synergistic influence, that is, that can generate greater influence on other impacts, are the alteration of the quality of the soil. In contrast, those with the highest level of synergistic sensitivity are the impacts on hydrology (surface). Water and energy usage have been identified as low risk, given that Luxun does not use large amounts of water or energy for its operations.

Key social impacts are associated with i) labor and working conditions, and ii) community health and safety. Regarding risks related to labor and working conditions, there is the possibility of negative impacts on the condition of workers working in companies that provide installation and

maintenance services for solar panels, as these are suppliers that could be employed as temporary workers from other areas of the country. In terms of occupational health and safety, the company identified the possibility of negative impacts due to the effect of high noise levels during the anchoring of the structures that support the solar panels, as well as possible effects due to exposure to extreme temperatures, heat or cold, during extended hours, especially during the construction (installation) stage. In addition, there is the possibility of falls from heights, since installation and maintenance activities are concentrated on the roofs of the sites; likewise, there is the possibility of vehicular accidents during the construction stage, when there may be movement of cranes and trucks that transport installation personnel. Finally, exposure to hazardous products and materials was identified as a possible negative impact, considering that contact and exposure to solar panels damaged by natural phenomena, such as strong winds, could imply a health risk for workers who work at the sites, who do not have personal protective equipment (PPE) or safety training, and who could have their first contact with these materials.

In terms of health and safety risks to the community, there may be impacts from emissions, noise, and accidents due to the movement of equipment, especially during the construction (installation) stage. In addition, there may be impacts from exposure to substances, products or materials, such as damaged solar panels due to natural phenomena, such as strong winds, which could dislodge the panels from the structures and throw them into places where people in the community live and/or pass through. Finally, the community's exposure to workers from other parts of the country to perform installation and maintenance work at the sites represents a possible negative impact.

An ESMP/ ESAP was developed to manage the impacts, incl. developing a comprehensive ESMS, defining roles and responsibilities, as well as reporting and monitoring requirements, etc. → see *Section ESMP/ ESAP*

More details can be found in the publicly available [ESIA](#).

#### E&S Responsibilities

E&S related matters are currently managed by the Management Team which is supported by other team members such as the Scrum Manager. Luxun also has a risk management that is dedicated to identifying and mitigating risks. Luxun will hire a dedicated sustainability manager to manage E&S related topics and lead the implementation on the ESMP/ ESAP.

#### Emergency response & preparedness plans

Luxun has an Emergency Response Plan in place which aims for the prevention and protection against the appearance of unwanted eventualities. It also includes the actions to be carried out before the appearance of said event, whether of a natural nature (earthquake, flood, electrical

storms, among others) or caused by third parties (fires, disturbances, among others). It applies to Luxun and its contractors.

#### Grievance Mechanism

Luxun has an external communications and grievance mechanisms policy and protocol for receiving complaints and report in place. It outlines the procedure to deal with complaints, claims, suggestions and reports of Luxun personnel and how to provide the quality of a dignified treatment in an environment of respect and equity. Complaints can be currently received by reaching out to [contacto@luxun.mx](mailto:contacto@luxun.mx) or [quejas@luxun.mx](mailto:quejas@luxun.mx). The email addresses are available on Luxun's website. Physical address: Torre Legacy 305, Calle Valle Sol 122, La Diana, SPGG, N.L. México.

As part of the ESMP/ ESAP, Luxun is required to further refine its grievance mechanism to be compliant with SCF requirements, e.g. a grievance book should be available at the office and stakeholders need to be informed about the other grievance mechanisms (GCF grievance mechanism and Pegasus grievance mechanism). In addition, the grievance mechanism should be also actively communicated to contractors and affected communities.

#### Stakeholder Engagement

Luxun encourages communication with stakeholders involved in the company's processes and actions, such as customers, suppliers and workers to ensure that the company's activities address or avoid potential adverse effects on the environment, workers and people of the community.

Luxun has a Stakeholder Communication and Participation plan in place which provides guidance for the identification of stakeholders, evaluate the associated impact, and the development of a stakeholder engagement plan. However, the ESDD found that the current Stakeholder Communication and Participation plan does not meet SCF's stakeholder engagement and consultation requirements. Therefore, a critical component of the ESMP/ ESAP is to develop a stakeholder engagement plan in accordance with SCF criteria. This will include following Gold Standard's stakeholder and grievance mechanism requirements.

### **Labor and Working Conditions (PS2)**

#### Human Resource Policies

Luxun has the following policies in place to address labor and worker conditions and outlines some of the conditions and procedures to be followed:

- Luxun Group Code of Ethics.
- Luxun Group Code of Conduct for Security Personnel.
- Luxun Group Identification of Risks in Terms of Human Rights and Corruption.

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- Luxun Group Human Rights Policy.
- Luxun Group Employee Policy.
- Luxun Group Policy for the Prevention of Forced Labor and Child Labor Practices.
- Luxun Group Health and Safety Policy.
- Luxun Group Protocol for Receiving Complaints and Reports.
- Training program or capacity building policy
- Employee handbook
- Occupational Health and Safety handbook

### Conditions of Work

The employee handbook which applies to all Luxun personnel outlines guidance and procedures for the employment contract types (incl. working hours), equal opportunity procedures (such as structured interviews for recruitment, diversity and communication trainings, etc.), data protection and cyber security, harassment and violence, safety and health, emergency management, compensation and development, overtime, payroll, performance management, training and development, working hours, paid time off, holidays, leaves, expenses, and company benefits. The ESIA verified that labor agreements include the work schedule, functions/ tasks described in the contract, daily salary, social security, voluntary resignation, and holidays.

The ESMP/ ESAP will require Luxun to further institutionalize the policies and procedures as part of the ESMS. In addition, Luxun is required to add certain aspects to the employee handbook such as retrenchment.

### Internal Grievances mechanisms

Luxun has a protocol for receiving complaints and report in place for Luxun personnel which allows staff to raise any concern. Complaints can be currently received by reaching out to [contacto@luxun.mx](mailto:contacto@luxun.mx) or [quejas@luxun.mx](mailto:quejas@luxun.mx) or report to HR directly.

### Occupational Safety and Health

Luxun has a health and safety policy and an occupational health and safety manual in place to outline the procedure to prevent, avoid and manage associated risks. The employee handbook provides additional guidance on workplace safety and health. The engineers involved in the installation of the systems have a person responsible for each crew to manage and exceed safety standards and ensure the health of workers from the most basic issue such as hydration to the strict management of proper techniques, procedures and use of safety equipment to ensure that no accidents occur. The preventive measures implemented by Luxun in the installation and maintenance processes of photovoltaic systems consist of the use of external safety equipment and personal protective equipment (PPE) by workers. External safety equipment includes safety

nets, fall arresters, and catwalk structures. For PPE, the photovoltaic system installer must wear at all times, his dielectric helmet, glasses, dielectric gloves with mechanical grip and dielectric footwear, as well as an anti-glare vest and harnesses.

The ESMP/ ESAP includes additional mitigation measure requirements to address health and safety measures, including training of workers.

#### Contractors

The occupational health and safety manual is also applicable and serves as guidance for contractors to ensure that risks can be mitigated on site.

#### Forced labor/ child labor

Luxun has a policy for the prevention of forced labor and child labor practices in place. The ESIA and ESDD confirmed that the company applies the policy at different stages of operations:

- Observation of compliance with the employee policy by Luxun HR
- The company has legal documentation requirements to hire its workers
- Staff are hired based on a mutually agreed employment contract and in compliance with labor laws
- Grupo Luxun has a risk management that is dedicated to identifying risks in the labor area and mitigating them

As outlined in the previous section, Luxun will establish a procedure to ensure that the forced and child labor policy are integrated into its purchasing practices.

#### Human rights

Luxun is committed to the promotion of human rights which is outlined in its Human Rights Policy. The scope of the policy, among others, includes:

- Eradication of child labour
- Eradication of all forms of forced labour, slavery and human trafficking
- Decent job
- Diversity, inclusion and non-discrimination
- Recruitment and labor migration practices
- Worker health and safety
- Accommodation and living conditions
- Promotion of the balance of personal and professional life
- Equal opportunities
- Training and qualification



This Policy is directly applicable to all the activities of the Group, as well as to all its administrators, directors, employees, suppliers and contractors.

As part of the ESMP/ ESAP, Luxun is required to further develop its human rights commitment and put a human rights due diligence process in place to ensure that human rights are mainstreamed across all activities and stakeholders.

#### Anti-corruption and anti-bribery

Luxun has an Integrity/Anticorruption Policy/Programme document, which establishes the guidelines, responsibilities and obligations of employees and third parties in order to comply with the laws and policies with regard to anti-corruption matters in their daily activities.

#### Training and capacity building

Although Luxun has a training program and capacity building policy in place, the ESMP/ ESAP includes that trainings related to E&S topics have to be implemented. This will include trainings related to governance, health and safety, waste management, etc.

### **Resource Efficiency and Pollution Prevention PS3**

#### Pollution prevention

In order to reduce pollution, Luxun has the following policies in place:

- Luxun Group Environmental Policy

Since Luxun does not have factories, warehouses or any heavy machinery, there are no significant emissions into the atmosphere. The emissions that have been identified come from the three vans owned by the company. These trucks are of the following models:

- Renault Oroch (2019)
- (2) Nissan NP300 (2020)

The three units have their proper maintenance, license plate, insurance and other legal obligations that their property entails.

The implementation of making a change has been sought in terms of the supply of its fuels, so that they are not "Gasoline" but look for "Diesel", "Electric Energy", "Gas" vehicles or some type of hybrid vehicles.

#### Waste Management

In order to reduce waste and associated impacts, Luxun has a Waste Management Program in place. In terms of waste management, the main components of "garbage" and how they are destined (post-installation) are:

- Wood (platforms): All the wood used is recycled by local suppliers, to find a "second use" of the pallets and the leftover material.
- Cardboard: In all the states where Luxun operates, there are many companies that are dedicated to the "purchase of cardboard" so that they can recycle it and use it in another way.
- Plastics (boxes/packaging): The form of the plastics is sought to send them to the corresponding dumps where the plastic and its derivatives are recycled.
- End-of-life/ Decommissioning: At the end of a solar installation's life, owners can repower or decommission the project. Equipment for the project should come full circle by reusing or recycling the materials for remanufacturing as part of a panel recovery/ decommissioning plan.

The ESMP/ ESAP requires Luxun to update its waste management program to include further specifications and operating procedures, including on decommissioning. The information should also be included in the ESMS that will be developed.

#### ***Community Health and Safety PS4***

All of Luxun's prevention and mitigation plans and measures are aimed at controlling the company's activities, in order to avoid and minimize the probability of negative impacts that may affect the environment, as well as the workers and the community.

The following policies and procedures are in place to reduce the risks for near-by communities that are affected by potential impacts from emissions, noise, and accidents due to the movement of equipment, waste, especially during the construction (installation) stage:

- Emergency response plan
- Communication plans and stakeholder participation
- Luxun Group Health and Safety Policy
- Environmental policy of the Luxun Group
- Comprehensive waste management programs

The policies and procedures aim to reduce pollution, waste and noise level, and health and safety measures to prevent any accidents that may affect communities indirectly. The stakeholder engagement plan which is a critical component of the ESMP/ ESAP will further address communities' concerns. In addition, the ESMP/ ESAP outlines that Luxun should avoid installing solar panels in places exposed to strong winds, either due to meteorological phenomena such as

hurricanes, or because they are located in geographical areas where there is a high probability of the passage of strong air currents. Luxun is required to give higher priority in the technical feasibility study to the wind factor as a variable to consider in the installation or not of a photovoltaic system in order to prevent that installations would tear apart the structures in the direction of the neighboring community or workers.

### ***Gender assessment***

Mexico is the second most populated country in Latin America, with over 122 million inhabitants as of 2014 data, 52.2% are women and almost 79% live in urban areas. Mexico faces social, economic and land ownership disparities, as well as persistent social disadvantages and high indices of discrimination, that are the cause and consequence of continuous marginalization in wide sectors of the population, mainly women, girls, indigenous population and migrants. Mexico has made significant progress in the achievement of women's rights and gender equality, especially in key areas at federal level: strengthening of national laws to ensure women and men equality; strong gender institutionalism and increased public resources earmarked for gender equality. Despite the progress made, gender equality in Mexico faces a series of structural challenges characterized by an unrelenting gap between formal and substantive equality in all areas of development; it means that there is an implementation gap between what is stated in the laws, plans, programs and budgets on women's rights and practical implementation and compliance in daily life. A key priority is economic empowerment.<sup>2</sup>

While Luxun's employee handbook, human rights policy, and code of ethics address diversity, anti-discrimination, anti-harassment and anti-violence, there is no dedicated gender policy or gender action plan. As part of the ESMP/ ESAP, Luxun is required to develop a Gender Action Plan in accordance with SCF's gender requirements and taking into account the national gender strategy.

### ***Climate change related risks***

The following climate change related risks for Luxun activities were identified:

- Heat waves: reduced output and potential material damage
- Hail: potential material damage
- Wind: material damage and need for cleaning

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<sup>2</sup> [https://www.oecd-ilibrary.org/social-issues-migration-health/building-an-inclusive-mexico\\_9789264265493-en](https://www.oecd-ilibrary.org/social-issues-migration-health/building-an-inclusive-mexico_9789264265493-en)  
<https://www.mckinsey.com/featured-insights/americas/one-aspiration-two-realities-promoting-gender-equality-in-mexico>  
<https://dai-global-developments.com/articles/mexico-toward-a-gender-sensitive-energy-transition/>

- Prolonged cloudiness: reduced output

There can be impacts because of the exposition to products substances or materials that can be damaged by extreme weather conditions damaging the solar panels, such as strong winds that could tear apart the structures in the direction of the neighboring community or workers of the retail stores. However, photovoltaic systems do not have any vulnerabilities severe enough to halt the development of them.

In order to reduce the risk of strong wind exposure, the ESMP/ ESAP requires Luxun to implement an operating procedure to identify the geographical areas of the country that represent the most significant risk due to strong winds.

### Environmental & Social Management/ Action Plan

In order to close the gaps identified in the ESIA and ESDD, the ESMP/ ESAP was developed to address E&S related issues appropriately before the time of investment. On an ongoing basis, information is obtained through several internal and external channels such as formal governance structures at the portfolio company, financial, environmental and social reporting from the portfolio company to the Fund, ongoing desk-based monitoring that utilizes publicly available news reports, industry insights, site visits, etc. to track changes in the operations and the local context that may affect the environment and social profile of the company.

Table 1. Action plan for the prevention and mitigation of environmental and social risks and impacts					
Activity stage	Impact description	Prevention and/or mitigation measures	Implementation plan	Responsibility roles	Date of compliance
Corporate	Procedure to identify potential adverse environmental and social impacts to assure that negative impacts are avoided or minimized to the extent possible while positive impacts are stimulated	- Implement an environmental and social management system (ESMS) in the company to manage risks and enhance impact accordingly in line with IFC Performance Standards	- Develop an environmental and social management system (ESMS) that outlines operational procedures as specified on p. 14-20 in this document (with potential revisions) in accordance with IFC Performance Standards and material issues identified in the ESMP	- Luxun Energy (coordinates and supervises)	12/2023 with regular touchpoints (milestones to be defined)

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Table 1. Action plan for the prevention and mitigation of environmental and social risks and impacts					
Activity stage	Impact description	Prevention and/or mitigation measures	Implementation plan	Responsibility roles	Date of compliance
			- Develop Monitoring and Reporting systems		
Corporate	Roles & Responsibilities to address environmental and social impacts	- Develop clear roles and responsibilities to address environmental and social impacts, implement Action Plan and ESMP, and Monitoring systems	- Develop Org Chart and define roles and responsibilities at company level	- Luxun Energy	Focal point and main lead to be defined immediately  Additional roles and responsibilities until 12/2023
Corporate	Engage with affected stakeholders to mitigate risks and enhance impact	- Extend Stakeholder Engagement Plan to be compliant with Gold Standard's stakeholder engagement criteria and establish grievance mechanism	- Extend Stakeholder Engagement Plan to be compliant with Gold Standard's stakeholder engagement criteria and conduct a stakeholder consultation/ campaign - Establish grievance mechanism in accordance with Annex 12 of the SnCF ESMS	- Luxun Energy	7/2023 with Technical Assistance support - Grievance mechanism to be implemented in Q1, 2023
Acquisitions	Address environmental and social impacts when assets are acquired	- Develop policy and procedures (incl. checklist) to ensure compliance with ESMP when acquiring assets	- Develop and implement policy and procedure to ensure compliance with ESMP and IFC Performance Standards for acquired assets, incl. documentation	- Luxun Energy	Q1/ 2023
Supply Chain	Ensure that solar panels are purchased from suppliers that are in compliance with IFC Performance Standards	- Develop policy and procedures to ensure that suppliers comply with IFC Performance Standards, particularly when it comes to human rights and labor conditions	- Develop and implement policy and procedure, e.g. checklist and monitoring procedure as part of the suppliers due diligence	- Luxun Energy	7/2023
- Development	Residual impacts associated with improper	-Monitoring there are no leachates and	-Strengthen the protocol for Luxun's waste management, incl. end-	-Luxun Energy (coordinates and supervises)	7/2023

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Table 1. Action plan for the prevention and mitigation of environmental and social risks and impacts					
Activity stage	Impact description	Prevention and/or mitigation measures	Implementation plan	Responsibility roles	Date of compliance
-Operation, maintenance, and decommissioning	handling of waste or spills of materials that can cause soil contamination and synergistically affect water	migration of contaminants outside the work areas. -Train installation and maintenance personnel on waste management.	of life/ recycling; it is suggested the preparation and implementation of a comprehensive waste management program considering the Mexican regulations on the matter and considers an adequate classification of waste. -Activate Luxun's stakeholder engagement plan -Activate the Protocol for receiving complaints and reports from Luxun with customers.	-They receive training and updated information: *Suppliers (engineers in charge of the installation and maintenance of photovoltaic systems) *Customers	
-Development -Operation and maintenance - Abandonment and close	Impact on labor conditions in the different stages of development of photovoltaic systems: inadequate wages, benefits and contracts; excessive overtime; forced labor; discrimination based on gender, ethnicity, race or socioeconomic status..	Implement training and awareness actions on human rights issues for all personnel, including suppliers and subcontractors It is suggested to set a gender equality policy, as well as awareness campaigns around this topic	Supervision of compliance with different Luxun Group instruments and policies that prevent possible negative impacts on working conditions: Code of Ethics, Human Rights Policy, Policy for the prevention of forced labor and child labor practices, Policies for service contracting and purchasing procedures.. - It is suggested to implement a gender equality policy with references to the national gender strategy, as well as awareness campaigns around this topic - The development and implementation of a Workers' Manual is suggested.- Extend the protocol for receiving complaints and reports to workers.	-Luxun Energy (supervises and coordinates). -They receive attention, and training: *Suppliers (engineers in charge of the installation and maintenance of photovoltaic systems) *Customers *Partners	7/2023
-Development -Operation and maintenance	Impact on compliance with labor rights of workers in the	It is suggested: a. Recognize the right of workers to form trade	--Labor agreements should be enriched with the labor rights suggested in the	--Luxun Energy (supervises and coordinates).	7/2023

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Table 1. Action plan for the prevention and mitigation of environmental and social risks and impacts					
Activity stage	Impact description	Prevention and/or mitigation measures	Implementation plan	Responsibility roles	Date of compliance
- Abandonment and close	different stages of development of photovoltaic systems, in accordance with national labor legislation and the standards contained in the fundamental conventions of the International Labor Organization.	union organizations and join them. b. Describe the functions and tasks of the worker. c. Establishes the worker's right to voluntary resignation. - include retrenchment and lay off policy/ paragraph	preventive and mitigation measures. - Extend the protocol for receiving complaints and reports to workers.	-They receive attention, and training: *Suppliers (engineers in charge of the installation and maintenance of photovoltaic systems) *Customers *Partners	
Development -Operation and maintenance - Abandonment and close	Impact on gender equity and the situation of women in the different activities of Luxun Group, as in the relationships with partners, customers and suppliers.	-It is suggested to implement a gender equality policy with references to the national gender strategy, as well as awareness campaigns around this topic	- It is suggested to develop and implement a gender equity policy. - Develop a Gender Action Plan and commit to achieve one of the 2X Challenge criteria: - 51% women ownership or business founded by women - 30% women in senior leadership or on the Board or Investment Committee - 30-50% share of women in the workforce and one "quality" indicator beyond compliance - Product/service specifically or disproportionately benefit women Conduct and/or participate in awareness campaigns on this issue with partners, clients and suppliers..	-Luxun Energy (supervises and coordinates). -They receive attention, and training: *Suppliers (engineers in charge of the installation and maintenance of photovoltaic systems) *Customers *Partners	7/2023  Gender Action Plan to be developed until 7/2023 with Technical Assistance support

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Table 1. Action plan for the prevention and mitigation of environmental and social risks and impacts					
Activity stage	Impact description	Prevention and/or mitigation measures	Implementation plan	Responsibility roles	Date of compliance
-Development	Impact on workers' health during the installation of solar panels: dermatitis induced by heat and the sun. Melanoma. Lip cancer. Dehydration. Hypothermia.	-Proper use of Personal Protective Equipment. -Adaptation of the workspace to protect yourself from extreme temperatures. -Have drinking water.	-Strengthen and update Luxun's preventive measures. The development and implementation of an occupational health and safety program is suggested. - Activate Luxun's stakeholder engagement plan. - Extend the protocol for receiving complaints and reports to workers.	-Luxun Energy (supervises and coordinates). -They receive attention, and training: *Suppliers (engineers in charge of the installation and maintenance of photovoltaic systems) *Customers	3/2023
-Operation and maintenance	-Not all operations in which the use of PPE is required have been identified, specifically, when the client may have contact with damaged solar panels, due to strong winds or other externalities.	-Train the client on the use of PPE and waste management. -Consider the risk factor of sites located in areas with strong winds. -Avoid installing solar panels in geographical areas with strong winds.	- Strengthen and update Luxun's preventive measures. The development and implementation of an occupational health and safety program are suggested. -Strengthen and expand the protocol for waste management (consider damaged solar panels as solid waste). The elaboration and implementation of a comprehensive waste management program that considers the Mexican regulations on the matter and considers an adequate waste classification is suggested. -Activate stakeholder engagement plan. -Activate protocol for the reception of complaints and reports of Luxun with the client. - Technical feasibility studies of the projects can consider the wind factor as an element to take into account for the viability of the projects.	-Luxun Energy (supervise and coordinate). -They receive attention, and training: *Customers *Suppliers (engineers in charge of maintaining photovoltaic systems)	7/2023



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On an ongoing basis, SCF will monitor Luxun's compliance with environmental and social requirements such as occupational and community health & safety and labor issues.

As of March 1 2023, no environmental, occupational health and safety, public health and safety, or social events, incidents or accidents with material adverse effects were reported.