



**SUBNATIONAL
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LUXUN ENVIRONMENTAL AND SOCIAL MANAGEMENT PLAN

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1. References

The following documents are taken as references for the Identification of environmental and social risks and impacts of the activities of Luxun Energy (hereinafter Luxun or the Company):

- General anti-corruption training Luxun Group
- Luxun Group Code of Ethics.
- Code of conduct for security personnel of Grupo Luxun
- Identification of risks in terms of DD, HH and corruption Grupo Luxun.
- Emergency response plan. Luxun group.
- Communication plans and stakeholder participation. Luxun group.
- Human rights policy Luxun Group.
- Grupo Luxun employee policy.
- Policy for the prevention of forced labor and child labor practices. Luxun group.
- Luxun Group Health and Safety Policy.
- Environmental policy of the Luxun Group.
- Policies and procedures for contracting services and purchases of the Luxun Group.
- Training program or capacity building
- Grupo Luxun corporate social responsibility program.
- Comprehensive waste management programs. Luxun group.
- Protocol for receiving complaints and reports. Luxun group.

And the following legal standards and good international practices:

- Political Constitution of the United Mexican States, February 5, 1917. Last reform was published in the Official Gazette of the Federation (DOF) on October 17, 2022.
- Electricity Industry Law, published in the DOF on August 11, 2014.
- General Law of Ecological Balance and Environmental Protection, published in the DOF on January 28, 1988.
- General Law for the Prevention and Management of Waste, published in the DOF on October 8, 2003.
- Federal Law on Archaeological, Artistic and Historical Monuments and Zones, published in the DOF on May 6, 1972.
- Regulation of the Electricity Industry Law, published in the DOF on October 31, 2014.

- Federal Regulation on Safety and Health at Work, published in the DOF on November 13, 2014.
- Regulation of the General Law of Ecological Balance and Environmental Protection in Matters of Environmental Impact Assessment, published in the DOF on May 30, 2000.
- General Law Regulation for the Prevention and Comprehensive Management of Waste, published in the Official Gazette of the Federation on November 30, 2006.
- General administrative provisions on the Social Impact Assessment in the Energy Sector of the Ministry of Energy (SENER), published in the DOF on June 1, 2018.
- Official Mexican STANDARD NOM-041-SEMARNAT-2015, which establishes the maximum permissible limits for the emission of polluting gases from the exhaust of motor vehicles that uses gasoline as fuel.
- Official Mexican STANDARD NOM-045-SEMARNAT-2017, Environmental Protection-Vehicles in circulation that use diesel as fuel. Maximum permissible limits of opacity, test procedure and technical characteristics of the measuring equipment.
- Official Mexican STANDARD NOM-080-ECOL-1994, which establishes the maximum permissible limits of noise emission from the exhaust of motor vehicles, motorcycles and motorized tricycles in circulation and its measurement method.
- Mexican Official Standard NOM-081-SEMARNAT-1994 establishes the maximum permissible noise emission limits from fixed sources and their measurement method.
- Official Mexican STANDARD NOM-052-SEMARNAT-2005, which establishes the characteristics, the identification procedure, classification and lists of hazardous waste.
- Official Mexican STANDARD NOM-161-SEMARNAT-2011, which establishes the criteria for classifying Special Management Waste and determining which are subject to a Management Plan; the list of the same, the procedure for the inclusion or exclusion to said list; as well as the elements and procedures for the formulation of management plans.
- Environmental and Social Management System. Implementation Manual of the International Finance Corporation (IFC) (2015 a).
- Environmental and Social Management System. Tool kit. (IFC) (2015b).
- Sustainability Performance Standards Environmental and Social (IFC) (2012).
- Evaluation and management of environmental and social risks and impacts. Performance Standard 1 (IFC) (2012).
- General Guidelines on Environment, Health and Safety (2007) from the World Bank.
- Guidelines on Environment, Health and Safety: Community Health and Safety (2007) from the World Bank.
- OECD Guidelines for Multinational Enterprises (2011).
- Equator Principles (2020).



2. Definitions

For purposes of identifying environmental and social risks and impacts, the definitions established in the legal standards and good reference practices will be followed, in particular the evaluation and management of environmental and social risks and impacts. Performance Standard 1 (CFI) (2012), General Law of Environmental Protection and their regulation regarding the Environmental Impact Assessment, the Electricity Industry Law and their regulation, also the General Administrative Provisions on the Social Impact Assessment in the Energy Sector, which are transcribed below:

Actor of interest: The people, communities, groups, organizations, institutions, authorities and any other that may influence the design, implementation and sustainability of the Project.

Hazardous waste storage: Action of temporarily retaining hazardous waste in areas that meet the conditions established in the applicable provisions to prevent their release, while they are processed for their use, a treatment is applied to them, they are transported, or they are finally disposed of.

Gathering: Action of collecting waste from one or different sources for management.

Community: Group of women and men, linked by characteristics or common interests settled in a geographical space.

Pollution: The presence in the environment of one or more pollutants or any combination that causes ecological imbalance.

Noise pollution: Any sound made by human activities that, due to its intensity, duration or frequency, implies risk, annoyance, harm or damage to people, other living beings or the environment; or those that exceed the levels set by official Mexican standards.

Pollutant: All matter or energy in any of its physical states and forms, which by being incorporated or acting in the atmosphere, water, soil, flora, fauna or any natural element, alters or modifies its composition and natural condition.

Ecological criteria: The mandatory guidelines contained in this Law to guide the actions of preservation and restoration of the ecological balance, the sustainable use of natural resources and the protection of the environment, which will have the character of environmental policy instruments.

Damage to ecosystems: It is the result of one or more environmental impacts on one or several environmental elements or ecosystem processes that trigger an ecological imbalance.

Environmental damage: It is the one that occurs on some environmental element as a result of an adverse environmental impact.

Severe damage to the ecosystem: One that promotes the loss of one or several environmental elements, affects the structure or function, or modifies the evolutionary or successional tendencies of the ecosystem.

Severe ecological imbalance: Significant alteration of the environmental conditions in which cumulative, synergistic and residual impacts are expected to cause the destruction, isolation or fragmentation of ecosystems.

Donation: Economic aid in cash or kind given by Luxun Energy or the Project to an association, institution or person to improve the quality of the situation for which it was requested.

Issue: Release to the environment of any substance, in any of its physical states, or any type of energy, coming from a source.

Species of difficult regeneration: Species vulnerable to biological extinction due to the specificity of their habitat requirements and the conditions for their reproduction.

Generation: Action of producing waste through the development of production or consumption processes.

Generator: Natural or moral person that produces waste through the development of production or consumption processes.

Cumulative environmental impact: The effect on the environment that results from the increase in the impacts of particular actions caused by interaction with others that were carried out in the past or that are occurring in the present.

Residual environmental impact: The impact that persists after applying mitigation measures.

Significant or relevant environmental impact: Results from the action of man or nature, which causes alterations in ecosystems and their natural resources or health, hindering the existence and development of man and other living beings, as well as the continuity of natural processes.

Synergistic environmental impact: Occurs when the combined effect of the simultaneous presence of several actions supposes an environmental incidence greater than the sum of the individual incidences contemplated in isolation.

Social impact: All the changes and consequences, positive or negative, resulting from the development of the Project, which can be experienced perceptually or physically, individually and collectively and affect the way of life of the women and men who are members of a community, its culture, its cohesion, stability, fears and aspirations, services and facilities, its decision-making systems, its physical environment, its health and well-being, as well as its rights.

Release of hazardous waste: Action of unloading, injecting, inoculating, depositing, spilling, emitting, emptying, throwing, placing, spraying, abandoning, draining, dripping, escaping, burying, throwing or dumping hazardous waste into natural elements.

Manifest: Document in which the hazardous waste management activities are recorded, which must be prepared and kept by the generators and, where appropriate, the management services providers for said waste.



Statement of environmental impact: The document through which the significant and potential environmental impact that a work or activity would generate is disclosed, based on studies, as well as how to avoid or mitigate it if it is negative.

Material: Substance, compound or mixture of them, which is used as an input and is a component of consumer products, containers, packaging, packaging and the waste they generate.

Hazardous Material: Elements, substances, compounds, residues or mixtures of them that, regardless of their physical state, represent a risk to the environment, health or natural resources due to their corrosive, reactive, explosive, toxic, flammable or biological-infectious characteristics.

Extension measures: Actions carried out to maximize the positive social impacts generated by the development of the Project.

Prevention measures: A set of actions that the promoter must execute to avoid foreseeable effects of deterioration of the environment.

Mitigation measures: A set of actions that the promoter must execute to mitigate the impacts and restore or compensate the existing environmental conditions before the disturbance caused by the execution of a project in any of its stages.

Sponsorship: Economic aid in cash or kind that Luxun Energy or the Project gives to an association, institution or person supporting a business cause, in sports, cultural or other matters.

People in a situation of vulnerability: Refers to those who are unable or limited from work activity, either due to their academic condition, cultural or social development, are prevented from performing stable lucrative activities or whose income does not satisfy the basic needs of social subsistence.

Gender perspective: Refers to the methodology and mechanisms that allow identifying, questioning and assessing discrimination, inequality and exclusion of women, which is intended to be justified based on the biological differences between women and men, as well as the actions that must be undertaken to act on gender factors and create the conditions for change that allow progress in the construction of gender equality.

Social Management Plan: The system, strategy or program that includes the set of measures to increase positive impacts and measures to prevent and mitigate negative impacts; the actions and human and financial resources that the Project will implement in terms of communication, participation, attention to complaints, social investment, and other actions that guarantee the sustainability of the Project and respect human rights.

Harvest: Action of collecting waste to transport or transfer it to other areas or facilities for comprehensive management

Landfill: Facility for the final disposal of urban solid waste and special handling.

Waste: Material or product whose owner or holder discards and which is in a solid or semi-solid state, or is a liquid or gas contained in containers or tanks, and which may be capable of being recovered or requires subject to treatment or final disposal by the provisions in this Law and other ordinances derived from it.

Incompatible Waste: Those in contact or when mixed with water or other materials or waste, react producing heat, pressure, fire, particles, gases or harmful vapors.

Special Management Waste: Those generated in the productive processes, which do not meet the characteristics to be considered dangerous, urban solid waste or are produced by large generators of urban solid waste.

Dangerous waste: Those that have any of the characteristics of corrosiveness, reactivity, explosiveness, toxicity, flammability or that contain infectious agents that confer danger, as well as containers, containers, packaging and floors that have been contaminated when they are transferred to another site, and therefore, they represent a danger to the ecological balance or the environment.

Urban Solid Waste: Those generated in dwelling houses, which result from the elimination of the materials they use in their domestic activities, of the products they consume and of their containers, packaging or packaging; the waste that comes from any other activity within establishments or on public roads that generates waste with household characteristics, and those resulting from the cleaning of roads and public places, provided that the Law does not consider them as waste of another nature.

Reuse: The use of a previously used material or residue, without a transformation process.

Sustainability: The capacity of a system (or an ecosystem) to maintain its state constant over time, a constancy that is achieved either by keeping the parameters of volume, exchange rates and circulation invariable, or by fluctuating cyclically around values averages.

3. **Scope of the Environmental and Social Management Plan**

The Environmental and Social Management Plan (ESMP) of the activities of Luxun Energy establishes the measures for the prevention, mitigation, compensation and/or expansion of the environmental and social risks and impacts of the activities related to the installation and operation of photovoltaic systems on the sites provided for in the different plans, programs and mechanisms prepared to adjust the company's activities to the IFC's Performance Standards on Environmental and Social Sustainability and the Equator Principles.

This document applies to all Luxun personnel, investors, clients and main suppliers. Luxun Energy will verify that their personnel, investors, clients and suppliers comply with this plan's stipulations and, in case of non-compliance, will apply the appropriate penalties.



4. Objective of the Environmental and Social Management Plan

The general objective is the organization for the execution of the different strategies, plans, programs and mechanisms defined for the prevention, mitigation, compensation and/or expansion of the environmental and social impacts of the company's activities; for:

- i. Prevent, mitigate and address the environmental and social risks and impacts generated by the development of the company's activities.
- ii. Promote the opportunities and benefits generated by the company's activities.
- iii. Adjust the management of environmental and social risks and impacts of the company to the requirements established by the IFC Performance Standards and the Equator Principles.
- iv. Make more efficient use of Luxun's human, material and financial resources by articulating and complementing environmental and social strategies and plans.

5. Description of the activities of Luxun Energy

The activities carried out by Luxun consist of the development, installation, commissioning and operation of photovoltaic systems under the distributed generation scheme (<500kW of capacity) in places 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 investment is expected to grow the platform to more than 100MW during the next five years. In order to scale the business faster, Luxun will partner with another Distribution Generation Company named Suneco to develop small photovoltaic projects below 500kW that will be acquired by Luxun.

The company's mission seeks to promote businesses in a transition to the sector through clean electrical energy at a better cost for the end user, reducing the carbon footprint and environmental impact and, considering that distributed generation is the energy of the future.

6. Guidelines for the Environmental and Social Management Plan

Based on the above scope and objectives, the ESMP for Luxun's activities are governed by the following guidelines:

- The management of environmental and social impacts is a dynamic and continuous process, which implies collaboration between the company, its workers, the affected communities and the social actors.
- The management of environmental and social risks and impacts is based on a structured, constant methodological approach. It promotes the best financial, environmental and social results of activities at the company level.
- The management of environmental and social impacts is carried out in a documented manner, contributing to the fulfillment of the functions associated with the job, the standardization of

procedures and the safety of operations, which reduces risks and gives confidence to potential investors, improving access to capital.

- The management of environmental and social impacts facilitates the satisfaction of the growing demand for information from potential clients and social actors involved in the company's socio-environmental performance.
- In making decisions about the management of the company's environmental and social impacts, the procedures, functions, responsibilities and capacity needs of the personnel to execute it are observed.
- The management of environmental and social impacts favors the conformity of the company's activities with environmental and social legislation, and with the demands of the most socio-environmentally aware consumers, which improves the image of Luxun Energy, the efficient use of resources and the sale of services.

7. Description of the Environmental and Social Management Plan

The methodology followed for the integration of the ESMP is the established by the Performance Standards of the IFC, specifically Performance Standard 1 Evaluation and management of environmental and social risks and impacts, which recommends that projects implement an ESMP with the measures for the prevention, mitigation and compensation of negative environmental and social impacts and for the expansion of positive social impacts.

In accordance with this Performance Standard and its implementation, the ESMP will include the following components

- Environmental and social risk management measures and plans
- Organizational capacity and competence
- Preparedness and response to emergencies
- Participation of social actors
- External communications and grievance mechanisms
- Periodic reports to affected communities
- Monitoring and evaluation

These seven components are the continuity of identifying environmental and social risks and impacts; together, they have the function of helping to evaluate, control and continuously improve the environmental and social performance of Luxun Energy, as part of the planning cycle, execution, verification and action.

Next, each of them will be developed, considering that they are integral components of the ESMP formulation and implementation process for the company's activities.



8. Environmental and social risk management measures and plans

Based on the identification and evaluation of risks and impacts, contained in the Environmental and Social Impact Assessment of Luxun Energy's activities, together with the recommendations of international good environmental and social practices, measures for the prevention, mitigation and compensation of environmental and social impacts were defined; likewise, the plans and programs already implemented by Luxun Energy in its activities were considered in order to adjust the company's activities to the requirements of the IFC Standards and the Equator Principles.

The previously identified environmental and social impacts that will be mitigated through the ESMP are:

Environmental: Residual impacts associated with improper handling of waste or materials spills can cause soil contamination and synergistically affect water.

Social: Impact on workers' health during the installation of solar panels: dermatitis induced by heat and the sun. Melanoma. Lip cancer. Dehydration. Hypothermia.

These impacts will be addressed explicitly in the following sections.

Not all operations where the use of PPE is required have been identified, specifically when the customer may come into contact with damaged solar panels due to high winds or other externalities.

Due to strong winds or other externalities, community exposure and contact with damaged solar panels.

8.1 Prevention and mitigation measures implemented by Luxun

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.

This set of measures and action programs are referred to in the Luxun Group documents in section one of "references".

8.1.1 Control of emissions into the atmosphere and noise generation

A. Emissions to the atmosphere

In "LUXUN GROUP" as it 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 between the latest options

B. noise generation

During the anchoring phase in the installation stage is minimal noise. Still, it can be significant, so during business hours, in the case of offices and commercial areas (9:00-16:00 hrs), it is scheduled the start of anchorage outside said schedule.

8.1.2 Waste management protocol

Introduction

As "LUXUN GROUP" is a company whose main economic activity arises from installing the solar panels for the subsequent sale of energy generated by them. LUXUN GROUP is not involved in any manufacturing process or development of any of the components installed in the projects. These components are the following:

- Solar panels
- investors
- Structure
- Cabling
- Other electrical components

Due to the foregoing, GRUPO LUXUN uses different alliances to be able to receive the components mentioned above in each installation. This provides Luxun with cost efficiencies by not paying for warehouses at different sites. The transportation logistics components are completely outsourced by transportation agencies. The only thing that GRUPO LUXUN uses in terms of "logistics" are three vans that are used in the mobilization of different crews at the time of "corrective or preventive" maintenance of solar installations.

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 GRUPO LUXUN has been installed, 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.



8.1.3 Preventive measures against possible injuries at work

Based on the Health and Safety Policy of the Luxun Group, the objective is "to carry out our activities in a safe and efficient manner and to take care of the welfare of our employees, contractors and other people who may interact with us as a result of our activities"

Luxun group has a "Risk Management" area that is dedicated to identifying risks in the labor area and mitigating them.

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.

8.1.4 Preventive measures against possible negative impacts on working conditions

According to Luxun's policies on working conditions and for hiring workers, different preventive measures can be identified that the company considers carrying out its activities in the different stages of development of photovoltaic systems on sites.

- Observation of compliance with the employee policy by the Luxun Group People Area.
- Luxun has a policy to prevent forced labor and child labor practices, which it seeks to achieve by developing a healthy work environment.
- 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" area that is dedicated to identifying risks in the labor area and mitigating them.
- Luxun workers have social security

8.2 Action plan for the prevention and mitigation of environmental and social risks and impacts

- **Purpose and scope**

This prevention and mitigation plan describes the possible negative impacts recorded during the Identification of environmental and social risks and impacts of Luxun Energy's activities; This identification is compared with the prevention and mitigation measures that the company already implements, in order to formulate measures that contribute to the reduction of possible effects on the environment, workers and the community, before, during and after the installation of photovoltaic systems on the sites. In addition to defining the operating procedures to implement the action plan and other aspects to make it work in the supply chain of Luxun Group activities..

- **Objectives**

- Determine and strengthen prevention and mitigation measures by type of impact.
- Determine the recommended programs to be developed to strengthen prevention and mitigation measures by type of impact.
- Define the roles and responsibilities for the implementation of the measures.
- - Define operational procedures for action plan implementation.
- Define the management of risks and impacts in the supply chain.

- **Roles and responsibilities**

This plan establishes the roles and responsibilities of Luxun to carry out prevention and mitigation measures, according to the stages of development of the projects. Similarly, customers, suppliers and stakeholders are involved in setting up roles.

- **Prevention and mitigation measures**

According to the environmental and social impact identified, prevention and mitigation measures were prepared, linked to the stages of development of the photovoltaic systems in the sites.

- **Training, reporting and monitoring**

According to the mitigation measure, it will be specified if any or several follow-up actions are considered, in order to go in function of a continuous improvement regarding the operation of the company's activities in an environment of low probability that risks occur and, therefore, that no negative impacts are caused in environmental and social matters.

The following table records the components of the Action Plan for preventing and mitigating environmental and social risks and impacts for Luxun Energy's activities. The first column identifies the stage of the project, the second column describes the impact previously identified, the third column identifies the prevention and/or mitigation measures as applicable to the type of impact, the fourth column suggests the implementation plan. The last column lists the possible actors and their roles.



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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	- 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 - Develop Monitoring and Reporting systems	- Luxun Energy (coordinates and supervises)	12/2023 with regular touchpoints (milestones to be defined)
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	- Luxun Energy	7/2023 with Technical Assistance support - Grievance mechanism to be implemented in Q1, 2023 (via website)



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
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	03/2023
- Development and -Operation and maintenance	Residual impacts associated with improper handling of waste or spills of materials that can cause soil contamination and synergistically affect water	-Monitoring there are no leachates and migration of contaminants outside the work areas. -Train installation and maintenance personnel on waste management.	-Strengthen the protocol for Luxun's waste management; 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	-Luxun Energy (coordinates and supervises) -They receive training and updated information: *Suppliers (engineers in charge of the installation and maintenance of photovoltaic systems) *Customers	15/12/2022

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
			and reports from Luxun with 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	12/15/2022



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 -Operation and maintenance - Abandonment and close	Impact on compliance with labor rights of workers in the 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.	It is suggested: a. Recognize the right of workers to form trade union organizations and join them. b. Describe the functions and tasks of the worker. c. Establishes the worker's right to voluntary resignation.	-Luxun Group's labor agreement can be supplemented with the labor rights suggested in the prevention and mitigation measures.-- 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	12/15/2022
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	-Luxun Energy (supervises and coordinates). -They receive attention, and training: *Suppliers (engineers in charge of the installation and maintenance of photovoltaic systems) *Customers *Partners	15/01/2023 Gender Action Plan to be developed until 7/2023 with Technical Assistance support

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
			<ul style="list-style-type: none"> - Product/service specifically or disproportionately benefit women Conduct and/or participate in awareness campaigns on this issue with partners, clients and suppliers..		
-Development	Impact on workers' health during the installation of solar panels: dermatitis induced by heat and the sun. Melanoma. Lip cancer. Dehydration. Hypothermia.	<ul style="list-style-type: none"> -Proper use of Personal Protective Equipment. -Adaptation of the workspace to protect yourself from extreme temperatures. -Have drinking water. 	<ul style="list-style-type: none"> -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	15/01/2023
-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.	<ul style="list-style-type: none"> -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. 	<ul style="list-style-type: none"> - 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 	-Luxun Energy (supervise and coordinate). -They receive attention, and training: *Customers *Suppliers (engineers in charge of maintaining photovoltaic systems)	15/01/2023



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
			<p>(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.</p> <p>-Activate stakeholder engagement plan.</p> <p>-Activate protocol for the reception of complaints and reports of Luxun with the client.</p> <p>- Technical feasibility studies of the projects can consider the wind factor as an element to take into account for the viability of the projects.</p>		
-Operation and maintenance	-Exposure and contact of the community with damaged solar panels due to strong winds or other externalities.	<p>-Environmental education talks about the possible reuse and/or recycling of damaged solar panels.</p> <p>- Consider the risk factor of sites located in areas with strong winds.</p>	<p>-Strengthen preventive measures at Luxun. The development and implementation of a community health and safety program are suggested.</p> <p>-Strengthen and expand the protocol for waste management (consider damaged</p>	<p>Luxun Energy (supervise and coordinate)</p> <p>-They receive attention, and training:</p> <p>*People from the community</p> <p>*Client</p>	<p>15/01/2023</p> <p>15/12/2022</p>

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
		<p>-Avoid installing solar panels in geographical areas with strong winds.</p>	<p>solar panels as solid waste). The preparation and implementation of a waste management program that considers the Mexican regulations on the matter and considers an adequate waste classification is suggested.</p> <p>-Activate stakeholder engagement plan.</p> <p>-Activate protocol for the reception of complaints and reports of Luxun with the client and the community.</p> <p>- Technical feasibility studies of the projects can consider the wind factor as an element to take into account for the viability of the projects.</p>		<p>15/01/2023</p>

According to the previous table that summarizes the action measures for the prevention and mitigation of risks and impacts, most of the proposed measures seek to strengthen those already carried out by Luxun in its activities and, in this context, the development and implementation of politics and specific programs is suggested.

As an additional measure, it is proposed as a preventive to 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. As an implementation measure, Luxun can 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.

The following are operational procedures that Luxun could develop, in order to strengthen the preventive and mitigation measures it already carries out, as well as to include compensation measures where required, to ensure the continuity of the company's activities in an environment with minimal impact on the environment, workers and the community.

8.2.1 Operating procedures for the management of environmental and social risks and impacts

In accordance with the IFC, the operating procedures consist in systematizing the measures, so it becomes a daily and usual practice and process.

The operating procedures recommended to Luxun Group involve improving, expanding and adding prevention, mitigation and compensation measures to better manage the identified environmental and social risks and impacts.

The main objective of developing the operating procedures consists of implementing the action plan to prevent and mitigate environmental and social risks and impacts.

Based on the methodological guidelines of the International Finance Corporation (IFC, 2015), a procedural outline is provided with the components that the operating procedure should include.

Table 2. Components of the operating procedure	
Objective	Regarding the identified risk/impact/prevention, mitigation, compensation measures.
Scope	For the company.
Definitions	Key concepts.
Responsibilities	Who evaluates, and monitors.
Work instructions	measures for work.
Reference documents	Policies, regulations, agreements, standards.
Records	Documentation of the procedure.
Approving Authority	
Publication date	
Review date	

Table 2. Components of the operating procedure

Note: elaboration based on the IFC “procedure outline”, 2015

These components bring together the basic elements for continuous monitoring and evaluation of operating procedures, seeking continuous improvement of the company's operations and activities; Therefore, it is considered to improve the procedures developed by Luxun, as to incorporate new procedures based on the identification of risks, impacts, and prevention and mitigation measures, in addition to the compensation measures that are considered applicable.

Consequently, the operating procedures that Luxun could develop are cited, in addition to linking the procedure to the program that the company already has or those suggested to be developed and implemented in the Action Plan.

A. Comprehensive waste management program

A.1 Operating procedure for waste management: damaged solar panels.

B. Action plan for the technical feasibility of the projects: wind factor

B.1 Operating procedure to identify the geographical areas of the country that represent the most significant risk due to strong winds.

C. Gender equity policy

C.1 Gender Equity Awareness Training Program

C. 2 Design of campaigns to raise awareness about gender equityD. Occupational health and safety program

D. Occupational health and safety program.

D.1 Operating procedure to design and implement a protocol for receiving complaints and reports from workers

D.2 Operating procedure for formulating and implementing preventive measures against discrimination, inequity due to gender, forced and child labor.

D.3 Operational procedure for developing a Workers' Manual.E. Stakeholder engagement and communication plans

E. Stakeholder engagement and communication plans.

E.1 Operating procedure to define stakeholders

E.2 Operating procedure to define communication mechanisms



E.3 Operating procedure to incorporate and strengthen the Protocol for receiving complaints and reports

F. Community Health and Safety Program

F.1 Operating procedure to implement courses on environmental education: recycling and reuse of damaged solar panels.

For the proper execution of the action plan for the prevention and mitigation of environmental and social risks and impacts, it is recommended to periodically systematize the results of the operating procedures, in order to measure the progress and strengthening of the Environmental Management Plan as a whole and Social of the company, based on the continuous improvement of activities at the company level and minimizing possible impacts on the environment, workers and the community.

8.2.2 Management of risks and impacts in the supply chain

Risk management within the company's activities must be extended to the main partners, clients and suppliers. The following table identifies the ESMP components that need to be strengthened and developed based on their implementation and continuous improvement.

Table 2. Management of risks and impacts in the supply chain	
ESMP elements	Supply chain and contractor management
Policies	<ul style="list-style-type: none"> *The Luxun Group environmental policy identifies the company's commitments to its stakeholders: investors, customers and business partners *Luxun's social policy identifies that the Luxun Group's Health and Safety Policy considers contractors and clients. *It is suggested that Luxun Group's policies and procedures for contracting services and purchases mention the prevention of any kind of discrimination, practices that violate human and labor rights, and gender equity. *It is suggested to develop a policy on gender equity.
Identification of risks and impacts	<ul style="list-style-type: none"> *According to Grupo Luxun's activities, customers and suppliers were considered part of the supply chain, who may receive negative impacts in environmental and social matters. *The partners (contractors and investors) were not considered in the risk and impact assessment, due to the nature of Luxun's activities. * It is possible to make a checklist for partners, such as Suneco, to identify compliance with social and environmental standards
Management program	<ul style="list-style-type: none"> *Specific programs were defined to implement with customers, suppliers and partners. *In waste management, occupational and community health and safe gender equity and labor conditions..
Organizational capacity and competence	<ul style="list-style-type: none"> *Training for client personnel, suppliers and partners was identified as an area of opportunity in terms of environmental and social risks and impacts.
Preparedness and response to emergencies	<ul style="list-style-type: none"> *In the emergency response plan, Luxun Group considers collaboration with customers and suppliers.

Table 2. Management of risks and impacts in the supply chain	
	* It is suggested to expand to partners (investors and contractors).
Participation of social actors	*In the stakeholder participation plan, Luxun Group identifies the incorporation of its clients for risk management. It is suggested to expand to partners (investors and contractors).
External communications and grievance mechanisms	*In the protocol for receiving complaints, Grupo Luxun incorporates communication processes with customers It is suggested to expand to partners (investors and contractors).
Periodic reports to affected communities	*Luxun Group must develop communication plans and complaint mechanisms applicable to people in the community where the sites are located.
Monitoring and evaluation	*The management systems of your suppliers,customers and partners should be examined, in order to assess the progress in the implementation of the ESMP.

9. Organizational capacity and competence

This component of the Environmental and Social Management Plan is systematized, reinforced and integrated into a management instrument, entailing the roles and responsibilities of the personnel for environmental and social management, defined in the Action Plan for the prevention and mitigation of risks and impacts environmental and social, as well as the actions for the development of capacities and the necessary competences; process carried out by competent professionals, with the knowledge, skills and experience required to perform the activities.

9.1 Objectives

The document that develops this component pursues the following objectives:

1. Define the organizational structure for the implementation, application and continuous improvement of the Action Plan to enhance the management of environmental and social risks and impacts.
2. Define the functions, responsibilities and powers of the work team in charge of the implementation, application and continuous improvement of the ESMP.

2.1 Guidelines

Based on the scope and the previous objectives, the capacities and the development of organizational competencies for the implementation of the Action Plan, it is governed by the following guidelines:

- An organizational structure will be established, maintained and strengthened, as necessary, to define the functions, responsibilities and powers for applying the Action Plan, which will be made known to the company, customers and suppliers.
- The management of risks and impacts will be performed by competent professionals with the necessary knowledge, skills and experience to carry out their work, including up-to-date knowledge of the Performance Standards requirements and the applicable regulations.
- Continuous improvement will rationalize structures and redefine staff roles, based on broader criteria, so that they can perform more significant tasks and demands.
- The inclusion of coordination functions at all levels will be sought to favor a more fluid transmission of information, cooperation between the different areas and decentralization in decision-making with environmental and social implications.

2.2 Description of component development

This component of organizational capacity and competence is developed in two points: (1) Organizational structure and functions of the personnel for the management of environmental and social risks and impacts of Luxun's activities and (2) Actions for the development of capacities and competencies for managing the environmental and social risks and impacts of the company's activities.

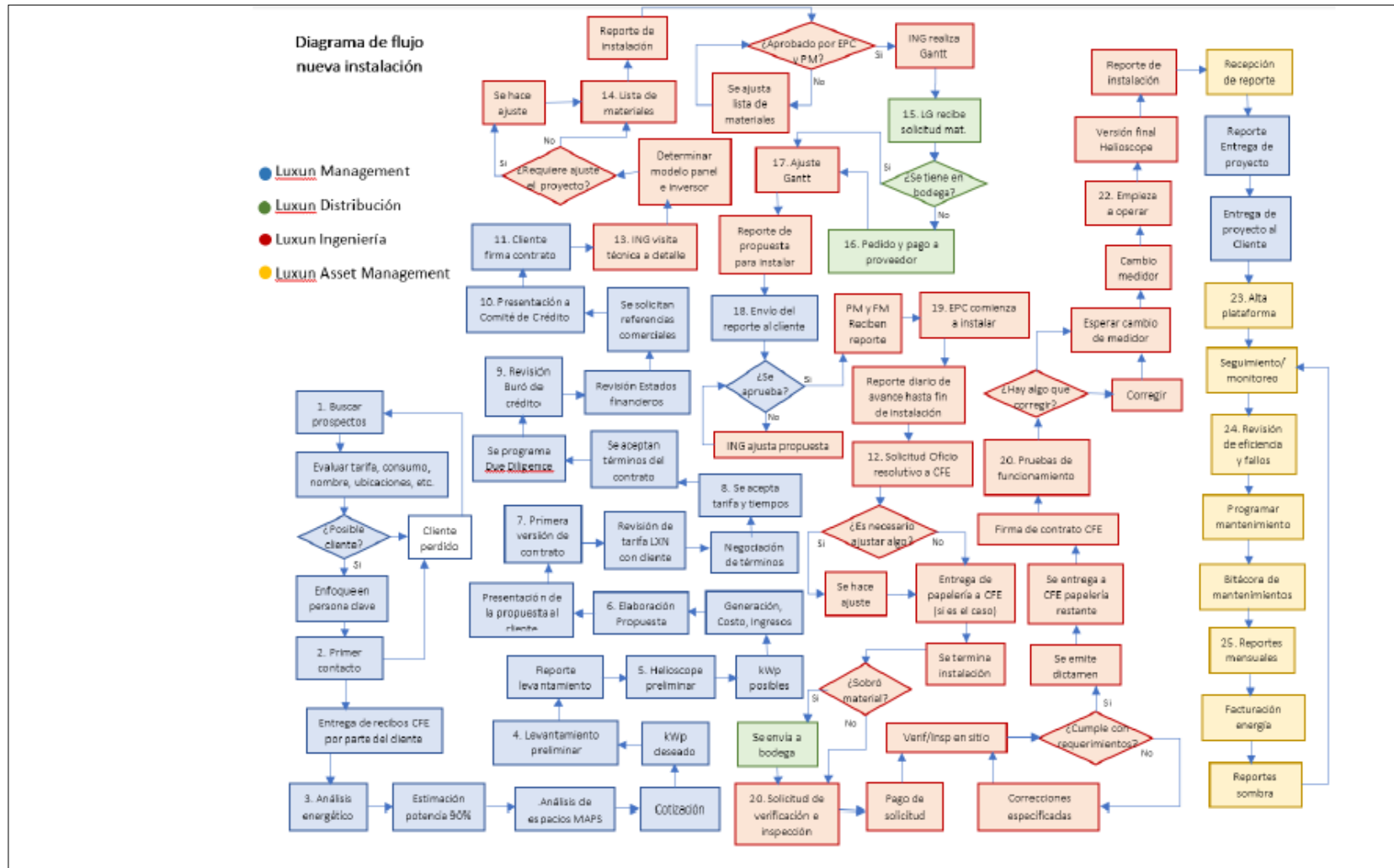
In point 1, the organizational structure of Luxun's activities is described during the stages of development of the company's processes.

Point 2 lists the promotion, training and awareness of the suggested actions to be implemented to develop the skills and competencies necessary for effective management of the environmental and social risks and impacts of the company's activities.

2.2.1 **Project operation structure**

Below is a diagram of a new photovoltaic installation.

Figure 1. Luxun New Installation Flowchart



2.2.2 Functions of the personnel for the management of risks and environmental and social impacts of the company's activities

- Luxun Management
 - Direct, plan and control the implementation, application, and continuous improvement of the ESMP within the budget and deadlines previously set.
 - Ensure compliance with the legal regulations in force on environmental protection, occupational health and safety and community.
- Clients and suppliers

In terms of environmental and social management, the main customers and suppliers will have the following obligations:

Execute with social responsibility and adequate environmental quality, activities related to the purpose and scope of the contract. This means complying with the current legislation on safety, occupational health and the environment, as well as the measures planned for the management of environmental and social risks and impacts of Luxun's activities during the life of the project.

- Direct workers

In terms of environmental and social management, Luxun's direct employees shall have the following obligations:

- Know Luxun's environmental and labor policy.
- Properly use PPE and observe its correct functioning of it.

9.3.3 Actions for the development of capacities and competencies for the management of environmental and social risks and impacts

The development of skills and competence of the staff is suggested, according to the following logic: diagnosis of needs, planning of actions, implementation, monitoring and evaluation.

It is suggested to prioritize the following training actions for Luxun personnel:

- Training for preparing and implementing a waste management program that considers the Mexican regulation on the matter and an adequate classification of waste.
- Training for preparing and implementing an occupational health and safety program.
- Training for developing and implementing a community health and safety program.

For this action, the provisions of the Luxun Group document will apply: *Training or capacity building program (Annex 1)*.



3. Prepare to respond the emergency situations

This component of the Environmental and Social Management Plan considers the identification and evaluation of environmental and social risks and impacts, in order to establish the most likely emergencies to occur and what of those will likely cause more damage.

For this component of the Plan, the provisions of the Luxun Group document named: *Emergency Response Plan* will apply (**Annex 2**).

4. Participation of social actors

This component of the Environmental and Social Management Plan identifies the relevance of the social actors for the management of risks and impacts, to ensure the company's activities, reducing or avoiding possible effects on the environment, workers and people of the community.

The main activities for the stakeholder engagement component consist of identifying the stakeholders, then evaluating their impact on the company's activities, subsequently assessing their behavior concerning Luxun's activities, and finally determining a stakeholder engagement plan relevant to the company's operations.

For this component of the Plan, the provisions of the Luxun Group document named: *Stakeholder Communication and Participation Plans* (**Annex 3**) will apply.

5. External communications and grievance mechanisms

This component of the Environmental and Social Management Plan identifies the possibility of generating external communication mechanisms once, the process of identification and assessment of social actors has registered a community affected by the company's activities.

According to Luxun's activities, there is dynamic and fluid communication with stakeholders involved in the company's processes and actions, such as customers, suppliers and workers.

For this component of the Plan, the provisions of the Luxun Group document named: *Protocol for receiving complaints and reports* (**Annex 4**) will apply.

It is suggested to consider the external communications and complaints of the members of the possibly affected communities to 1) Make a checklist for an effective complaint mechanism and, 2) Record of complaints.

The checklist should consider, among other aspects, the following:

- Ease of access to communicate confidentially or file complaints, even anonymously.
- Dissemination of the system so that social actors know it exists and how they can use it.
- Fostering a sense of legitimacy and trust; promoting dialogue and shared responsibility for results.
- Transparency in the process and the results.

- Implementation of a predictable and defined process that includes assigning responsibilities, deadlines and monitoring results.
- The system as a source of continuous learning.

Similarly, you should implement a complaint registry or database to track progress, analyze complaint information, and use it to improve your operations and prevent future concerns.

6. Periodic reports to affected communities

In this component of the ESMP, the company must seek to maintain and cultivate a good relationship with the social actors, so it must be kept informed of the company's response to their concerns and claims.

According to the methodology of the International Finance Corporation, this component refers to the affected communities; however, due to the nature and logic of Luxun's activities, we find other social actors that may be affected by the company's operations, such as customers, workers and suppliers.

In this sense, for the periodic reports, one of the following options can be considered to strengthen communication, speed up the response to complaints, using the most appropriate communication tool and the adequate formats:

- Open meetings.
- Signs outside the company entrance.
- Flyers distributed in churches, schools and civic centers.
- Website.
- Meetings at the town hall or local civic center.
- Meetings with representatives of the affected social actors.
- Letters to the representatives of the affected social actors and to the people who have filed complaints.
- Email messages.
- Phone calls.
- Sustainability reporting (for example, the Global Reporting Initiative and reports).

Luxun has partially developed this component in the Protocol for receiving complaints and reports, where it is specified:

The members of LUXUN GROUP must attend queries and requests with diligence, and truthful and complete information. Failure to comply with this obligation will result in disciplinary sanctions established in the corresponding contracts.



Once the complaint has been investigated, the result of the complaint and its proposed resolution will be given to the steering committee in the form of a report that includes the following:

1. All ends of the complaint.
2. The details of the investigations.
3. The result of the investigation.
4. The resolution proposal.

In case of doubts about the investigation or its results, the steering committee may request and order the practice of complementary actions since it is responsible for making the decision on the resolution of each complaint, including the pertinent disciplinary measures and the arising actions from said resolution, which will be communicated to the complainant and denounced, in a way that allows proof of receipt of this communication.

Once the investigation is finished, the file will be closed, and the files will be kept for the necessary time to comply with the procedures or proceeding actions.

7. Monitoring and evaluation

The last component of the ESMP is the evaluation process to analyze the degree of compliance, the results and impacts achieved by the ESMP, and preparing a different evaluation report for the social and environmental areas. It will be prepared by Luxun Management, who may be advised by a specialized external consultant. Once their work is finished, they will deliver their reports to the company's management.

7.1 Objectives

The development of the monitoring and evaluation component seeks the continuous improvement of the environmental and social performance of Luxun's activities through the application of monitoring actions that allow evaluating the consequences of the identified environmental and social impacts, in addition to the effectiveness of the proposed management measures.

7.2 Guidelines for evaluation and monitoring

Based on the above scope and objectives, the assessment and monitoring of the ESMP is governed by the following guidelines:

- The evaluation and monitoring of environmental and social risks and impacts are based on a structured, constant methodological approach and promotes the best financial, environmental and social results for Luxun's activities.
- The evaluation and monitoring of environmental and social impacts is carried out in a documented manner, contributing to the fulfillment of the functions associated with the job, the standardization of procedures and the safety of operations, which reduces risks and gives confidence to potential investors, aiming the access to capital.

- The evaluation and monitoring of environmental and social impacts is a dynamic and continuous process, which involves a collaboration between the company, its employees, affected communities and social actors.

7.3 Description of component development

The evaluation and monitoring procedure has been designed in four main steps:

1. Review and comply with the monitoring and evaluation indicators declared and accepted in each specific program.
2. Preparation and distribution of instructions or methodology to those responsible and involved in developing the actions in the specific program to ensure compliance.
3. Quantification and/or qualification of the indicators included in the commitments of the specific plan.
4. Establishment of the methodology and evaluation criteria to be applied based on the human, material and financial resources applied in each of the specific programs.

The evaluation tools and techniques will be the following:

- Indicator system.
- Documentary analysis (consultation of official statistical information, etc.).
- Inspection visits.
- Discussion in focus groups.
- Semi-structured interviews, surveys, and open dialogues.
- Studies by site

4.1 Environmental surveillance actions

Environmental monitoring activities will be conducted during the construction, operation and maintenance stages, as well as during the abandonment and closing stages of the projects. They will also be applied in areas with strong air currents that can damage the solar panels, to monitor the handling of waste or materials regulated by the General Law for the Prevention and Integral Management of Waste.

The inspection items cover the different mitigation measures related to the elements of the environment susceptible to being affected: air, soil, surface water, groundwater, etc.

The following users will use the results of monitoring:

- Luxun's operations area will supervise that your operation is performed in a timely manner, according to the assigned budgets.
- Competent authorities that will ensure that Luxun's activities comply with municipal, state and federal environmental regulations.



- Client staff, who will be in constant communication, in addition to providing all the facilities for on-site monitoring and inspection tasks.

4.2 Social management actions

Social monitoring actions will be applied in the construction, operation and maintenance stages, as well as in the abandonment and closure stages of the projects. Special attention will be paid to the monitoring and follow-up of activities during the installation of solar panels, as well as in geographical areas at greater risk of strong winds, which can cause damage to the solar panels and possibly harm workers and people in the community.

The inspection items cover the different mitigation measures, related to the social elements likely to be affected: health, safety, and working conditions.

The following users will use the results of follow-up and monitoring:

- Luxun's operations area will supervise that your operation is carried out in a timely manner, according to the assigned budgets.
- Competent authorities that will ensure that Luxun's activities on the sites comply with municipal, state and federal social regulations.
- Client staff will be in constant communication, providing all the facilities for on-site monitoring and inspection tasks.

4.3 Inspection Strategies

The inspection and evaluation of the environmental and social performance of Luxun's activities will be executed according to a schedule programmed in accordance with the implementation requirements of the specific environmental and social programs. The field inspection will be permanently in the construction stage. In contrast, in the operation and maintenance stage will be periodic, in order to verify compliance with the established control, prevention and mitigation measures.

The evidence found will be recorded in the environmental and social compliance inspection log. If non-compliances are found, a non-compliance form will be prepared to record the non-compliance and recommend urgent application (corrective measure). Photographic records will be taken, and at the end of the inspection, the non-compliances will be recorded in a log that will remain permanently in Luxun's operations area.

In case of, as a result of the inspection, critical environmental risk situations are detected, the Luxun operations area in coordination with Luxun Management will propose the immediate actions necessary to control, minimize or eliminate them, leaving a record of their execution and results through the log.

The use and management of the logbook are supported by the follow-up plan instrument, which will help to move from a reactive approach to a preventive approach:

Table 3. monitoring plan
Indicators of performance

Table 3. monitoring plan		
Indicators: parameters that you will monitor to determine your success	Follow-up protocol	trace log
The performance indicators will be formulated and defined in the programs: comprehensive waste management; occupational health and safety; community health and safety		
Process indicators		
Indicators: the factors that will be monitored to evaluate the progress of implementation of the action plan	tracking log	
The process indicators will be formulated and defined in the programs: comprehensive waste management, occupational health and safety; community health and safety.		

The follow-up of performance and process indicators will help to improve the implementation of the ESMP. It will also help to make the inspection and monitoring tasks more and more perfectible, until they reach a level of institutionalization, favoring the company's preventive approach to the management of environmental and social risks and impacts. A tool that complements the monitoring plan is the audit to evaluate various aspects of the company, which will result in a report more complex than the logbook because the logbook focuses on specific aspects. In contrast, the audit aims to include all the elements of the company's activities, to provide global information.

Below is an "audit guidance" format developed by the International Finance Corporation in its battery of methodological tools.

Table 4. Audit Guidance	
sequential order	Exercise
A	Preparation: Gather Background Information
B.	Introductory meeting with management
C	Tour of operations
D	Worker Interviews
E	Interviews with affected communities and other social actors
F	On-site documentation review
G	Closing meeting with management

5. Annexes

Appendix 1. Training or capacity building program (Section 9. Organizational capacity and competence).

Appendix 2. Emergency response plan (Section 10. Preparation and response to emergencies).



Annex 3. Communication plans and stakeholder participation (Section 11. Participation of social actors).

Annex 4. Protocol for receiving complaints and reports (Section 12. External communications and complaint mechanisms).

About the Subnational Climate Fund:



The Subnational Climate Fund (SCF) is a global blended finance initiative that aims to invest in and scale mid-sized (5 – 75 M \$USD) subnational infrastructure projects in the fields of sustainable energy, waste and sanitation, regenerative agriculture and nature-based solutions in developing countries.

The SCF finances projects with a blend of concessional and conventional capital, along with Technical Assistance grants that help mitigate risk and ensure financial and environmental goals are achieved.

For further information about the SCF, visit: www.subnational.finance