



**SUBNATIONAL  
CLIMATE  
FUND**

**LUXUN**

**EVALUATION OF THE PRINCIPLES AND  
SAFEGUARDING REQUIREMENTS OF THE  
GOLD STANDARD FOR THE GLOBAL GOALS**

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## Acknowledgements

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For further information about the SCF, visit: [www.subnational.finance](http://www.subnational.finance)

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## INTRODUCTION

This document prepared by Bustamante + Freyre (**B + F**) for the Luxun Energy Group contains a preliminary assessment of the Luxun Energy Group's compliance with the Safeguarding Principles and Requirements of the Gold Standard For The Global Goals (Gold Standard), dated October 2019, from the Gold Standard Foundation.

The Gold Standard are good practices or an international standard to accelerate global progress towards climate security and sustainable development. It provides the tools and guidance needed to deliver results on the ground in the most effective and equitable way.

They are derived from a number of international documents, including:

- The Social and Environmental Standards of the United Nations Development Program (UNDP).
- The Environmental, Social and Economic Sustainability Framework of ONU Environment.
- The Performance Standards on Environmental and Social Sustainability of the International Finance Corporation (IFC), of the World Bank.

For the preparation of this evaluation, the Topics Guide for Completing the Project Design Document (DDP) was applied, which contains an evaluation database of the Gold Standard Safeguarding Principles and Requirements for projects.

The Gold Standard principles evaluated were the following:

- Principle 1. Human Rights.
- Principle 2. Gender equality and women's rights.
- Principle 3. Community health, safety and working conditions.
- Principle 4. Cultural heritage, indigenous peoples, displacement and resettlement.
- Principle 5. Corruption.
- Principle 6. Economic impacts.
- Principle 7. Climate and energy.
- Principle 8. Water.
- Principle 9. Environment, ecology and land use.

The following data base evaluates through questions how the Luxun Energy Group complies with the Gold Standard Principles and Requirements, with three response options: yes, potentially or no. If the answer is yes, it is described as how it comply them, if the answer is no or potentially, risk mitigation measures are suggested.



## EVALUATION OF THE PRINCIPLES AND SAFEGUARDING REQUIREMENTS OF THE GOLD STANDARD FOR THE GLOBAL GOALS

Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
<b>Principle 1. Human rights</b>			
<ol style="list-style-type: none"> <li>1. The project sponsor and the Project itself will respect internationally proclaimed human rights and will not be accessory in violence or human rights abuses of any kind, as defined in the Universal Declaration of Human Rights.</li> <li>2. The Project will not discriminate in terms of participation and inclusion.</li> </ol>	<p>1) Yes, due the corporate commitment to respect and protect human rights was verified, which is reflected in the Human Rights Policy of the Luxun Group.</p> <p>The scope of the policy, among others, includes:</p> <ul style="list-style-type: none"> <li>Eradication of child labour.</li> <li>Eradication of all forms of forced labour, slavery and human trafficking</li> <li>Decent job.</li> <li>Diversity, inclusion and non-discrimination.</li> <li>Recruitment and labor migration practices.</li> <li>Worker health and safety.</li> <li>Accommodation and living conditions.</li> <li>Promotion of the balance of personal and professional life.</li> </ul>	<p>N/A</p>	<p>1) It is suggested to implement training and awareness actions on human rights issues for all personnel, including suppliers and subcontractors.</p>

Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
	<p>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 subcontractors.</p> <p>2) Potentially, a Gender Equality Policy was not verified; however, they have a Human Rights Policy and a Code of Ethics, where discrimination for any reason is explicitly forbidden.</p>		<p>2) It is suggested to set a gender equality policy, as well as awareness campaigns around this topic</p>
<b>Principle 2. Gender equality</b>			
<p>1. The project will not cause or contribute, directly or indirectly, to adverse impacts on gender equality and/or the situation of women</p> <p>2. The projects will apply the principles of non-discrimination, equal</p>	<p>1) Potentially, since a Gender Equality Policy was not verified, however, Luxun complies with Mexican legislation and no form of imprisonment, slavery, punishment, or forced labor of women and girls was verified.</p> <p>Luxun's activities do not create women's property rights issues.</p>	<p>N/A</p>	<p>1) It is suggested to implement a gender equality policy with references to the national gender strategy, as well as awareness campaigns around this topic.</p>

Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
<p>treatment and equal pay for equal work</p> <p>3. The project will mention the country's national gender strategy or an equivalent national commitment to help assess gender risks</p> <p>4. (if necessary) Summary of expert or stakeholder opinions and recommendations</p>	<p>In addition to the Human Rights Policy, the Luxun Group has a Code of Ethics, where discrimination for any reason is explicitly forbidden.</p> <p>2) Yes, in the Human Rights Policy, as well as in the Code of Ethics, respect for these principles is established.</p> <p>Likewise, these principles are established in the Employee Policy of the Luxun Group, which will be governed by the principles of transparency, objectivity and non-discrimination.</p> <p>3) There are no references to the country's national gender strategy.</p> <p>4) A gender equality policy was not verified for the Group.</p>		
<b>Principle 3. Health, safety and working conditions of the community</b>			
<p>1. The project will avoid the exposure of the community to greater health risks and will not negatively affect the</p>	<p>1) If the company is not exposed to health risks that may affect the health of the community.</p> <p>Regarding the safety and health of workers, the company's</p>		<p>1) Since it was not in sight, it is suggested to implement training and awareness actions on occupational health and safety issues.</p>

Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
health of workers and the community	commitment is verified in the Human Rights Policy and in the Health and Safety Policy of the Luxun Group.		
<b>Principle 4.1 Places of cultural and historical heritage</b>			
Does the project area include places, structures or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture?	No. The activities of the Luxun Group do not involve alteration, damage or remove of critical cultural heritage assets. No violations to the Mexican law were verified, including the Federal Law on Monuments and Archaeological, Artistic and Cultural and Historical Zones..	N/A	N/A
>>			
<b>Principle 4.2 Forced eviction and displacement</b>			
Does the project require or cause the physical or economic relocation of people (temporary or permanent, total or partial)?	No. Grupo Luxun has the long- term consent of the owners of the land where it carries out its commercial activities, to avoid site relocation.	N/A	N/A
>>	This matter is analyzed during the commercial proposal process to the lender.		



Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
	<p>Grupo Luxun does not carry out its activities on inhabited land; Grupo Luxun's activities do not compete with other economic activities in the community. Therefore, it is estimated that the activities of the Luxun Group do not imply physical or economic displacement of individuals, groups or communities.</p>		
<b>Principle 4.3 Land tenure and other rights</b>			
<p>a. Does the project require any changes or have any uncertainties related to land tenure arrangements and/or access rights, use rights or ownership of the land?</p> <p>b. For projects involving land tenure, are there uncertainties regarding land tenure, access rights, use rights, or land ownership?</p>	<p>a) No. Grupo Luxun has use agreements with the owners of the properties where it carries out its commercial activities. No problems related to land use agreements were identified, from theStart-up of Grupo Luxun's activities.</p> <p>b) No concerns were identified regarding the rights to the land where the Luxun Group performs its activities.</p>	N/A	N/A
>>			

Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
<b>Principle 4.4 - Indigenous Peoples</b>			
Indigenous people are currently living in the project's area of influence or the project is located on lands claimed by indigenous people?	It was not observed the presence of indigenous community or claimed lands by indigenous communities in the area where the project will develop.		
>>	Is not possible to find indigenous people in the areas where the projects are located because these are located in the top of previously buildings constructed in urbanized areas in which people life have been modified and don't let to conform the characteristics of an indigenous community.		
<b>Principle 5. Corruption</b>			
1. The project will not contribute in any way to the corruption or corrupt projects	No. Grupo Luxun's line of business focuses on private sector companies. Interaction with the public sector is limited to informing when the installation of a system begins in order to the Federal Electricity Commission	N/A	N/A

Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
	<p>proceeds to review the installation and then install a bidirectional meter to monitor the energy consumed and produced.</p> <p>.</p> <p>These procedures are paid in banking institutions, and they are supported by an agreement and invoices regarding the operation.</p> <p>The other disbursements that are made are for the purchase of raw materials and payments for operating services according to the policy of purchases and contracting of services, which are also in an agreement and are supported with the tax invoices.</p> <p>Likewise, the Luxun Group has an Integrity/Anticorruption Policy/Programme document, which establishes the guidelines, responsibilities and obligations of employees and third parties in the operations in which they act on behalf of Luxun, in order to comply with the laws and policies internal anti-corruption matters in</p>		

Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
	the development of their daily activities.		
<b>Principle 6.1 Labor rights</b>			
<ol style="list-style-type: none"> <li>1. The project promoter will ensure that all employment are in complying with the national legislation on health and safety at work and the principles and standards contained in the fundamental conventions of the ILO.</li> <li>2. Workers may form trade union organizations and join them.</li> <li>3. Work agreements with all individual workers will be documented, enforced and will include:               <ol style="list-style-type: none"> <li>a. Work hours (not to exceed 48 hours per week on a regular basis),</li> <li>b. Roles and tasks,</li> </ol> </li> </ol>	<p>Yes. The working conditions of the Luxun Group comply with the provisions of the Federal Labor Law.</p> <p>They have specialized personnel to meet the safety and health standards of workers, as well as to monitor technical measures, procedures and the use of personal safety equipment.</p> <p>2) In the labor agreements was not verify the prohibition to set up trade union organizations and join them.</p> <p>3) In the labor agreements, it was verified:</p> <p>a. The work schedule does not exceed 48 hours per week (Clause Fifteen).</p>	N/A	<p>1) It is suggested in the agreement:</p> <ol style="list-style-type: none"> <li>a. Recognize the right of workers to form trade union organizations and join them.</li> <li>b. Describe the functions and tasks of the worker.</li> <li>c. Establishes the worker's right to voluntary resignation.</li> </ol>

Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
<p>c. Compensation (must include provision for overtime pay),</p> <p>d. Modalities on health insurance,</p> <p>e. Modalities of rescission of the contract with anticipation of voluntary resignation by the worker, and</p> <p>f. Annual holidays for no less than 10 days a year, without including sick absences and occasional absences for working matters.</p> <p>4. Child labor is not permitted (exceptions for children working on their families' property require the opinion of an <u>expert</u>)</p> <p>5. The promoter of the project will guarantee the use of adequate equipment, the training of workers, the documentation and notification of accidents and incidents and the measures</p>	<p>b. The functions and tasks of the worker are not exactly described in the contract.</p> <p>c) Daily salary (Clause Twelfth).</p> <p>d) Social security and other benefits (Clauses Twelfth and Seventeenth).</p> <p>e) There are no explicit clauses to the worker's right to voluntary resignation.</p> <p>f) Annual holidays of 10 days a year are foreseen from the first year (Clauses Seventeen).</p> <p>4) The Luxun Group's commitment to the prohibition of child labor was verified, as stated in the Policy for the Prevention of Forced Labor and Child Labor Practices, as well as in the Human Rights Policy.</p> <p>All hiring carried out by Grupo Luxun has legal documentation requirements that include: birth certificate, CURP, registration with the Tax Administration Service (SAT), Social Security affiliation number and other legal</p>		



Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
of preparation and response to emergencies.	documents that prove the age of of workers to legally work. .  5). Regarding the safety and health of workers, the company's commitment is verified in the Human Rights Policy and in the Health and Safety Policy of the Luxun Group, which establishes the commitment to provide a safe and healthy workplace, provide the necessary resources for instruction and training and implement and maintain systems that prevent occupational risks.		
<b>Principle 6.2 Negative economic consequences</b>			
1. Does the project have negative economic consequences during and after its execution?	No. The activities of the Luxun Group do not have negative consequences, nor do they imply direct risks for the local economy of the communities where its facilities are located.	N/A	N/A
>>			
<b>Principle 7.1 Emissions</b>			

Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
<p>Will the project increase greenhouse gas emissions compared to a baseline scenario?</p> <p>&gt;&gt;</p>	<p>No. As the Luxun Group does not have factories, warehouses or any type of heavy machinery, there are no significant emissions into the atmosphere.</p> <p>The identified emissions come from the trucks owned by the company.</p> <p>The three units have their proper maintenance, plates, insurance and other legal obligations that their property entails.</p> <p>Work is being done to change vehicle fuels to reduce emissions.</p>	<p>N/A</p>	<p>N/A</p>
<p><b>Principle 7.2 Power supply</b></p>			
<p>Will the project use power from a local grid or electricity supply (not connected to a national or regional grid) or a fuel resource (such as wood, biomass) that supplies other local users?</p>	<p>No. As they are solar panels, the Luxun Group projects do not require energy from electricity supply networks or fuel.</p> <p>The projects of the Luxun Group will not affect the availability and</p>	<p>N/A</p>	<p>N/A</p>

Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
>> The project will not affect the availability and reliability of the power supply to other users.	reliability of the energy supply to other users.		
<b>Principle 8.1 Impact on natural water patterns/flows</b>			
Will the project affect natural or pre-existing patterns of watercourses, groundwater, and/or the watershed(s), such as high seasonal flow variability, flood potential, lack of aquatic connectivity, or water scarcity?	No. The Luxun Group projects do not require large amounts of water, so they will not affect the natural or pre-existing patterns of watercourses, groundwater and/or the hydrographic basin(s).	N/A	N/A
>>			
<b>Principle 8.2 Erosion and/or instability of the water body</b>			
<p>a. Could the project directly or indirectly cause further erosion and/or instability of the water body or alter the natural pattern of erosion?</p> <p>b. Is the area of influence of the project susceptible to</p>	No. The Luxun Group projects do not require large amounts of water, so they will not affect the natural or pre-existing patterns of watercourses, groundwater and/or the hydrographic general pattern(s).	N/A	N/A

Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
excessive erosion and/or instability of the water?			
>>			
<b>Principle 9.1 Landscape and soil modification</b>			
Does the project involve the use of land and soil for the production of other products?	No. The sole purpose of the land is the installation of solar panels.	N/A	N/A
>>			
<b>Principle 9.2 Vulnerability to natural disasters</b>			
Will the project be likely to increase vulnerability to wind, earthquakes, subsidence, landslides, erosion, flooding, drought, or other extreme weather conditions?	No. Due there are small groups of solar panels, the projects of the Luxun Group will not affect the variability of climatic conditions, nor will they lead to extreme weather conditions.	N/A	N/A
>>			
<b>Principle 9.3 Genetic resources</b>			
Could the project have a negative impact or involve genetically modified organisms or GMOs (for example, contamination, collection and/or harvesting, commercial development, or take place in	No. The start-up and operation of the Luxun Group facilities do not affect genetic resources.	N/A	N/A

Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
facilities or farms that include GMOs in their processes and production)?			
>>			
<b>Principle 9.4 Release of contaminants</b>			
Could the project result in the release of pollutants into the environment?	Potentially. The activities of the Luxun Group generate special waste such as wood (pallets), cardboard and plastics (boxes/packaging for solar panels and instruments). The implementation of a waste management plan was not verified by documents or at the sites visited.	N/A	1) The implementation of a waste management plan is suggested.
>>			
<b>Principle 9.5 Hazardous and non-hazardous waste</b>			
Will the project involve the manufacture, trade, release and/or use of hazardous and non- hazardous chemicals and/or materials?	No. Grupo Luxun is not involved in any process of manufacturing, trading or releasing any of the components installed in its projects.	N/A	N/A
>>			



Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
<b>Principle 9.6 Pesticides and fertilizers</b>			
Will the project involve the application of pesticides and/or fertilizers?	No. The start-up and operation of the Luxun Group facilities do not use pesticides and/or fertilizers.	N/A	N/A
>>			
<b>Principle 9.7 Harvesting of forests</b>			
Does the project involve cutting down forests?	No. The start-up and operation of the Luxun Group facilities do not fell or cut down the forests.	N/A	N/A
>>			
<b>Principle 9.8 Food</b>			
Does the project change the quantity or nutritional quality of the food available, for example, by altering the cropping or export policies?	No. The start-up and operation of the Luxun Group facilities does not affect the nutritional quality of available food.	N/A	N/A
>>			
<b>Principle 9.9 Animal Husbandry</b>			
Does the project include animal husbandry?	No. The start-up and operation of the Luxun Group facilities does not include animal husbandry.	N/A	N/A
>>			

Evaluation questions/ Requirements	Justification of relevance (Yes/potentially/no)	How the project will achieve the requirements through design, management, or risk mitigation.	Mitigation measures added to the monitoring plan (if necessary)
<b>Principle 9.10 High Conservation Value Areas and Critical Habitats</b>			
Does the project physically affect intact or high conservation value (HCV) ecosystems, critical habitats, landscapes, key biodiversity areas or identified sites?	No. the activities of the Luxun Group are performed inside the facilities of its clients, where, in general, commercial activities are previously developed.	N/A	N/A
>>			
<b>Principle 9.11 Endangered Species</b>			
<p>Have any endangered species been identified that may be present within the project boundaries (including those that may pass through the area)?</p> <p>ME</p> <p>Does the project potentially influence other areas where endangered species may be present through transboundary effects?</p>	No. the activities of the Luxun Group are performed inside the facilities of its clients, where, in general, commercial activities are previously developed.	N/A	N/A



<b>Evaluation questions/ Requirements</b>	<b>Justification of relevance (Yes/potentially/no)</b>	<b>How the project will achieve the requirements through design, management, or risk mitigation.</b>	<b>Mitigation measures added to the monitoring plan (if necessary)</b>
>>			

## SUMMARY OF THE PRINCIPAL FINDINGS

1. The policies, programs and procedures that were seen were not signed by those who authorized them. In some cases they did not specify the date of approval either. In this sense, it would be accurate to consult the original versions of the following documents provided:
  - Human Rights Policy.
  - Protocol for Reception of Complaints and Reports.
  - Policy for the Prevention of Forced Labor and Child Labor Practices.
  - Grupo Luxun Employee Policy.
  - Integrity/ Anti-corruption policy/ programs.
  - Procedures for interaction with public officials.
  - Supplier evaluation procedure regarding corruption.
  - Policy for making payments to third parties.
  - Policies and procedures for contracting services and purchases Grupo Luxun.
  - Luxun Group Health and Safety Policy.
2. it is suggested to implement training and awareness actions on human rights for all personnel, including suppliers and subcontractors.
3. A Gender Equality Policy was not verified, it is suggested to implement a Gender Equality Policy, which comply with the national gender strategy, as well as awareness campaigns around this topic.
4. It is suggested to implement training and awareness actions on occupational health and safety issues.
5. It is suggested to modify the current employment agreement to:
  - Specifically recognize the right of workers to form trade union organizations and join them.
  - Describe the functions and tasks of the worker.
  - Explicitly establishes the worker's right to voluntary resignation.
6. The implementation of a waste management plan is suggested.

## 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](http://www.subnational.finance)