

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

Effective Date: January 15, 2024

WHEREAS, Nexus Industrial Intelligence, Inc., a Delaware corporation with its principal place of business at 2500 Innovation Drive, Palo Alto, California 94304 (the "Company"), develops and deploys artificial intelligence solutions for industrial applications;

WHEREAS, the Company recognizes its responsibility to conduct business in an environmentally and socially sustainable manner while maintaining the highest standards of corporate governance;

WHEREAS, the Company seeks to establish comprehensive environmental, social, and governance ("ESG") policies and procedures that align with its technological innovation mission while ensuring responsible development and deployment of artificial intelligence systems;

NOW, THEREFORE, the Company hereby adopts this Environmental, Social and Governance Policy (this "Policy") as follows:

1.0 ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY STATEMENT

1.1 Scope and Applicability

This Policy shall apply to all operations, employees, contractors, and business activities of the Company globally. The provisions herein shall govern the Company's approach to environmental stewardship, social responsibility, and corporate governance in connection with its development and deployment of artificial intelligence technologies. This Policy extends to all subsidiaries, joint ventures where the Company maintains operational control, and third-party vendors integral to core operations. Implementation shall be mandatory across all organizational levels, departments, and geographic locations.

1.2 ESG Mission Statement

The Company commits to developing and deploying artificial intelligence solutions that optimize industrial processes while advancing environmental sustainability, promoting social responsibility, and upholding the highest standards of corporate governance. The Company shall pursue technological innovation that creates measurable positive impact for stakeholders

while mitigating potential risks and adverse effects. This mission encompasses reducing industrial carbon footprints, enhancing workplace safety through AI-driven monitoring, fostering inclusive technological advancement, and ensuring transparent stakeholder communications regarding ESG initiatives and outcomes.

1.3 Regulatory Compliance

The Company shall comply with all applicable laws, regulations, and standards relating to environmental protection, labor practices, data privacy, artificial intelligence deployment, and corporate governance in all jurisdictions where it operates. The Company shall maintain appropriate compliance monitoring systems and regularly assess its adherence to regulatory requirements. This includes maintaining comprehensive documentation of compliance efforts, conducting periodic internal audits, establishing clear reporting channels for compliance concerns, and implementing corrective actions when necessary. The Company shall proactively monitor emerging regulations and standards to ensure continued compliance and industry leadership in ESG practices.

1.4 Governance Structure

The Board of Directors shall maintain ultimate oversight of ESG matters through its ESG Committee. The Chief Executive Officer shall be responsible for implementation of this Policy, supported by the ESG Steering Committee comprising senior leadership from key functional areas including Technology, Legal, Human Resources, and Operations. The ESG Committee shall meet quarterly to review performance metrics, assess implementation progress, and provide strategic direction. The Committee shall establish and monitor key performance indicators (KPIs) for each ESG dimension, ensuring alignment with corporate objectives and stakeholder expectations.

1.5 Implementation Framework

The Company shall implement this Policy through a structured framework incorporating: a) Annual ESG goal-setting and performance review processes b) Regular stakeholder engagement and materiality assessments c) Integration of ESG criteria into product development and deployment decisions d) Comprehensive ESG risk assessment and management procedures e) Regular employee training and awareness programs f) Transparent reporting of ESG metrics and progress g) Independent third-party verification of ESG performance claims h) Continuous improvement of ESG management systems

1.6 Review and Amendment

This Policy shall be reviewed annually by the ESG Committee to ensure its continued effectiveness and relevance. Amendments may be proposed by the ESG Committee and must

be approved by the Board of Directors. The Company shall maintain records of all Policy reviews and amendments, including the rationale for changes and impact assessments.

2.0 ENVIRONMENTAL IMPACT AND SUSTAINABILITY

2.1 Carbon Footprint Reduction

(a) The Company commits to achieving carbon neutrality in its operations by 2030 through: (i) Reducing direct emissions from facilities and equipment by implementing advanced monitoring systems and operational controls; (ii) Transitioning to renewable energy sources for data centers and offices, with a minimum requirement of 80% renewable energy usage by 2027; (iii) Implementing energy-efficient computing practices for AI operations, including load balancing and optimal resource allocation; (iv) Establishing a carbon offset program for unavoidable emissions through verified environmental projects.

(b) The Company shall measure and report its greenhouse gas emissions annually according to: (i) The Greenhouse Gas Protocol Corporate Standard; (ii) Task Force on Climate-related Financial Disclosures (TCFD) framework; (iii) Science Based Targets initiative (SBTi) methodology.

(c) The Company shall establish a Climate Action Committee responsible for: (i) Quarterly review of emission reduction progress; (ii) Implementation of corrective measures when targets are not met; (iii) Annual revision of carbon reduction strategies and targets.

2.2 Energy Efficiency Measures

(a) The Company shall optimize energy consumption through: (i) Deployment of smart building management systems with AI-driven optimization; (ii) Implementation of energy-efficient computing infrastructure, including high-efficiency cooling systems; (iii) Regular energy audits and efficiency improvements conducted at minimum quarterly intervals; (iv) Installation of real-time energy monitoring systems across all facilities.

(b) All new facilities shall: (i) Meet LEED Gold certification standards or equivalent; (ii) Incorporate passive solar design principles where feasible; (iii) Include on-site renewable energy generation capabilities; (iv) Feature smart grid integration and demand response capabilities.

(c) The Company shall implement an Energy Management System (EnMS) that: (i) Complies with ISO 50001 standards; (ii) Establishes facility-specific energy performance indicators; (iii) Maintains detailed energy consumption databases.

2.3 Waste Management

(a) The Company shall implement comprehensive waste reduction and recycling programs including: (i) Electronic waste management protocols with certified recycling partners; (ii)

Paper reduction initiatives targeting 90% reduction in paper usage by 2025; (iii) Responsible disposal of hazardous materials through licensed contractors; (iv) Implementation of circular economy principles in procurement.

(b) The Company targets zero waste to landfill by 2028 through: (i) Systematic waste reduction and recycling programs; (ii) Composting programs for organic waste; (iii) Supplier packaging return programs; (iv) Employee training and engagement initiatives.

(c) Waste Management Reporting Requirements: (i) Monthly waste audit reports; (ii) Quarterly progress updates on zero waste initiatives; (iii) Annual waste reduction target assessments.

2.4 Environmental Monitoring

(a) The Company shall maintain environmental management systems that: (i) Comply with ISO 14001 standards; (ii) Incorporate AI-powered environmental monitoring tools; (iii) Enable real-time environmental impact tracking; (iv) Support predictive environmental risk assessment.

(b) Regular Environmental Assessments shall include: (i) Quarterly environmental impact assessments of operations; (ii) Annual comprehensive environmental audits; (iii) Continuous monitoring of air and water quality at all facilities; (iv) Regular assessment of biodiversity impacts in operational areas.

2.5 Supply Chain Sustainability

(a) The Company shall establish sustainable procurement guidelines requiring: (i) Environmental certification from key suppliers; (ii) Regular sustainability audits of supply chain partners; (iii) Preference for local suppliers to reduce transportation emissions; (iv) Implementation of sustainable packaging requirements.

(b) Supplier Compliance Requirements: (i) Annual environmental performance reports; (ii) Demonstration of continuous environmental improvement; (iii) Participation in Company-led sustainability initiatives; (iv) Regular environmental compliance audits.

2.6 Reporting and Transparency

(a) The Company shall publish annual sustainability reports including: (i) Detailed environmental performance metrics; (ii) Progress towards environmental targets; (iii) Environmental incident reports and remediation measures; (iv) Future environmental improvement plans and commitments.

3.0 SOCIAL RESPONSIBILITY AND STAKEHOLDER ENGAGEMENT

3.1 Diversity, Equity and Inclusion

(a) The Company commits to fostering an inclusive workplace through: (i) Diverse hiring and promotion practices, including structured interview protocols and bias-mitigation measures; (ii) Equal opportunity employment policies encompassing recruitment, compensation, advancement, and termination; (iii) Regular DEI training and education programs conducted quarterly; (iv) Establishment of Employee Resource Groups (ERGs) with executive sponsorship; (v) Implementation of mentorship programs designed to support underrepresented groups.

(b) The Company shall set and monitor diversity targets at all organizational levels, including: (i) Annual diversity metrics reporting to the Board of Directors; (ii) Quarterly progress reviews against established benchmarks; (iii) Implementation of corrective measures when targets are not met; (iv) Public disclosure of diversity statistics in annual reports.

3.2 Data Privacy and Security

(a) The Company shall protect stakeholder data through: (i) Implementation of robust data security protocols, including encryption standards meeting or exceeding industry best practices; (ii) Regular security audits and penetration testing conducted by certified third-party providers; (iii) Employee training on data protection practices, updated semi-annually; (iv) Incident response protocols with defined notification procedures; (v) Data retention and destruction policies aligned with regulatory requirements.

(b) All AI systems shall incorporate privacy-by-design principles and comply with applicable data protection regulations, including: (i) Regular privacy impact assessments; (ii) Data minimization and purpose limitation protocols; (iii) Transparent data collection and processing practices; (iv) User consent management systems; (v) Cross-border data transfer compliance mechanisms.

3.3 Community Engagement

(a) The Company shall support local communities through: (i) STEM education initiatives, including: - School partnership programs - Coding bootcamps for underserved communities - Technology equipment donations (ii) Technology access programs, comprising: - Digital literacy training - Broadband access initiatives - Device donation programs (iii) Employee volunteering opportunities, featuring: - Paid volunteer time off (40 hours annually per employee) - Skills-based volunteering programs - Matching gift programs

(b) The Company shall allocate 1% of annual profits to community investment programs, with:
(i) Quarterly disbursement schedules; (ii) Impact measurement requirements; (iii) Annual public reporting of outcomes; (iv) Community advisory board oversight.

3.4 Labor Practices and Human Rights

(a) The Company shall uphold international labor standards and human rights principles throughout its operations and supply chain, including: (i) Fair wages and benefits: - Regular compensation benchmarking - Living wage commitments - Equal pay for equal work policies (ii) Safe working conditions: - Regular workplace safety audits - Mental health support programs - Ergonomic workplace assessments (iii) Freedom of association and collective bargaining rights (iv) Prohibition of forced labor and child labor

(b) Supply chain oversight shall include: (i) Annual supplier audits; (ii) Human rights due diligence processes; (iii) Corrective action requirements; (iv) Supplier code of conduct enforcement.

3.5 AI Ethics and Responsible Innovation

(a) The Company shall establish an AI Ethics Committee responsible for: (i) Reviewing AI system impacts on workforce and society; (ii) Developing ethical AI guidelines; (iii) Monitoring algorithmic bias; (iv) Ensuring transparent AI decision-making processes.

(b) Responsible innovation practices shall include: (i) Regular ethical impact assessments; (ii) Stakeholder consultation processes; (iii) Technology accessibility requirements; (iv) Environmental impact considerations.

3.6 Stakeholder Communication

(a) The Company shall maintain transparent communication with stakeholders through: (i) Regular stakeholder engagement forums; (ii) Annual sustainability reporting; (iii) Public grievance mechanisms; (iv) Periodic stakeholder surveys.

(b) Communication protocols shall include: (i) Timely disclosure of material impacts; (ii) Multi-language accessibility; (iii) Regular stakeholder feedback incorporation; (iv) Crisis communication procedures.

4.0 CORPORATE GOVERNANCE AND ETHICS

4.1 Board Oversight

(a) The Board of Directors shall: (i) Review ESG strategy and performance quarterly; (ii) Approve major ESG initiatives and investments; (iii) Ensure alignment between ESG and business objectives; (iv) Establish performance metrics and accountability measures; (v)

Review and approve annual ESG reporting frameworks; (vi) Oversee integration of ESG factors into strategic planning.

(b) The ESG Committee of the Board shall: (i) Meet monthly to review implementation progress; (ii) Maintain detailed documentation of all proceedings; (iii) Provide quarterly written reports to the full Board; (iv) Conduct annual effectiveness assessments; (v) Engage with stakeholders on ESG matters as appropriate.

4.2 AI Ethics Committee

(a) The Company shall maintain an AI Ethics Committee responsible for: (i) Reviewing AI development practices; (ii) Assessing societal impact of AI solutions; (iii) Establishing ethical guidelines for AI deployment; (iv) Monitoring algorithmic bias and fairness; (v) Evaluating privacy implications of AI systems; (vi) Reviewing data governance practices; (vii) Ensuring transparency in AI decision-making processes.

(b) Committee Composition and Operations: (i) Minimum of seven members, including three independent external experts; (ii) Quarterly meetings with additional sessions as needed; (iii) Annual review of ethical guidelines and frameworks; (iv) Regular consultation with affected stakeholders; (v) Documentation of all decisions and rationales.

(c) Ethical Framework Requirements: (i) Clear principles for responsible AI development; (ii) Guidelines for human oversight of AI systems; (iii) Protocols for addressing ethical concerns; (iv) Standards for transparency and explainability; (v) Requirements for regular ethical impact assessments.

4.3 Risk Management

(a) The Company shall maintain a comprehensive risk management framework addressing: (i) Environmental risks, including climate change impacts; (ii) Social impact risks, including community relations; (iii) Technology and AI-specific risks; (iv) Regulatory compliance risks; (v) Reputational risks; (vi) Supply chain sustainability risks; (vii) Human rights risks; (viii) Data security and privacy risks.

(b) Risk Assessment Procedures: (i) Quarterly risk assessments with Board reports; (ii) Annual comprehensive risk review; (iii) Continuous monitoring of emerging risks; (iv) Integration with strategic planning processes; (v) Regular stakeholder consultation on risk matters.

(c) Risk Mitigation Requirements: (i) Documented mitigation strategies for identified risks; (ii) Clear assignment of risk ownership; (iii) Regular testing of control effectiveness; (iv) Integration with business continuity planning; (v) Regular review and updating of mitigation measures.

4.4 Compliance Monitoring

- (a) The Company shall maintain robust compliance monitoring systems covering: (i) All applicable regulations and standards; (ii) Industry-specific requirements; (iii) Environmental regulations; (iv) Labor and employment laws; (v) Data protection requirements; (vi) Anti-corruption standards; (vii) Trade compliance obligations.
- (b) Monitoring and Audit Requirements: (i) Regular internal audits at least semi-annually; (ii) Annual external verification; (iii) Continuous compliance monitoring systems; (iv) Regular staff training and awareness programs; (v) Documentation of all compliance activities.

4.5 Ethical Business Practices

- (a) The Company shall maintain and enforce: (i) A comprehensive Code of Business Conduct; (ii) Anti-corruption and bribery policies; (iii) Conflict of interest procedures; (iv) Whistleblower protection mechanisms; (v) Fair competition guidelines.
- (b) Implementation Requirements: (i) Annual employee certification; (ii) Regular training programs; (iii) Clear reporting procedures; (iv) Protection for good faith reporters; (v) Regular policy reviews and updates.

4.6 Stakeholder Engagement

- (a) The Company shall maintain active engagement with: (i) Shareholders and investors; (ii) Employees and labor representatives; (iii) Local communities; (iv) Regulatory authorities; (v) Industry partners and associations.
- (b) Engagement Requirements: (i) Regular stakeholder consultation; (ii) Transparent communication channels; (iii) Documentation of engagement activities; (iv) Integration of stakeholder feedback; (v) Annual review of engagement effectiveness.

4.7 Reporting and Disclosure

- (a) The Company shall provide: (i) Regular ESG performance reports; (ii) Transparency on AI ethics decisions; (iii) Risk management updates; (iv) Compliance status reports; (v) Stakeholder engagement summaries.
- (b) Reporting Standards: (i) Adherence to recognized reporting frameworks; (ii) Independent verification where appropriate; (iii) Regular updates to disclosure practices; (iv) Integration with financial reporting; (v) Accessibility to stakeholders.

5.0 IMPLEMENTATION AND MONITORING

5.1 ESG Metrics and KPIs

(a) The Company shall track and report on key ESG metrics including: (i) Environmental impact measures, specifically: - Carbon emissions (Scope 1, 2, and 3) - Energy consumption and renewable energy utilization - Water usage and waste management metrics - AI system power efficiency ratings (ii) Workforce diversity statistics, encompassing: - Gender and ethnic representation at all organizational levels - Pay equity measurements - Inclusion index scores - Professional development participation rates (iii) AI ethics compliance rates, including: - Algorithm bias testing results - Privacy protection compliance scores - Ethical decision-making framework adherence - Transparency index measurements (iv) Community impact indicators, comprising: - Local employment generation - Community investment metrics - Stakeholder engagement levels - Social impact assessment scores

(b) KPIs shall be reviewed quarterly by senior management and the Board, with: (i) Detailed variance analysis against established targets (ii) Corrective action plans for underperforming metrics (iii) Strategic adjustments as necessary

5.2 Reporting Requirements

(a) The Company shall publish: (i) Annual ESG Report, containing: - Comprehensive performance analysis - Progress against stated objectives - Forward-looking commitments - Independent assurance statements (ii) Quarterly ESG Updates, including: - Key metric performance - Material developments - Emerging risks and opportunities - Stakeholder feedback summary (iii) Specific incident reports within 72 hours of: - Major environmental incidents - Significant AI ethics breaches - Material social impact events - Substantial governance concerns

(b) All reports shall: (i) Comply with applicable disclosure requirements and standards, including: - Global Reporting Initiative (GRI) Standards - Sustainability Accounting Standards Board (SASB) metrics - Task Force on Climate-related Financial Disclosures (TCFD) recommendations (ii) Be verified by qualified internal personnel (iii) Undergo external validation as appropriate

5.3 Audit Procedures

(a) Independent third-party audits shall: (i) Be conducted annually by certified auditors (ii) Cover all material ESG aspects (iii) Include specific AI ethics assessments (iv) Evaluate compliance with internal policies and external regulations (v) Assess data accuracy and reporting integrity

(b) Audit findings shall be: (i) Reported directly to the Board (ii) Publicly disclosed within 60 days (iii) Accompanied by management response and action plans (iv) Tracked for implementation progress

5.4 Continuous Improvement

(a) The Company shall: (i) Review this Policy annually (ii) Incorporate emerging best practices (iii) Respond to stakeholder feedback (iv) Adapt to changing business conditions (v) Update technical requirements as AI technology evolves

(b) Improvement process shall include: (i) Regular stakeholder consultations (ii) Industry benchmark analysis (iii) Technology assessment reviews (iv) Policy effectiveness evaluations (v) Implementation capability assessments

(c) Updates shall be: (i) Approved by the Board (ii) Communicated to all stakeholders (iii) Incorporated into training programs (iv) Reflected in operational procedures