

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY STATEMENT AND IMPLEMENTATION FRAMEWORK

Effective Date: January 15, 2024

PREAMBLE

WHEREAS, Nexus Industrial Intelligence, Inc., a Delaware corporation with its principal place of business at 2500 Innovation Drive, Wilmington, Delaware 19801 ("Company"), develops and deploys artificial intelligence and machine learning 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 Board of Directors has determined it to be in the best interests of the Company and its stakeholders to establish comprehensive environmental, social, and governance ("ESG") policies and procedures;

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

1.0 ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY STATEMENT

1.1 Mission Statement

The Company commits to developing and deploying industrial artificial intelligence solutions that optimize manufacturing processes while prioritizing environmental sustainability, social responsibility, and ethical governance. This commitment encompasses responsible innovation, resource efficiency, and positive societal impact across all operations. The Company shall pursue continuous improvement in ESG performance through measurable targets, regular assessments, and transparent reporting to stakeholders.

1.2 Scope of ESG Program

This Policy applies to all Company operations, subsidiaries, employees, contractors, and business partners. The program encompasses: (a) Environmental impact management of AI

systems and data centers, including energy efficiency optimization, renewable energy adoption, and waste reduction protocols; (b) Ethical AI development and deployment practices, incorporating fairness, transparency, and accountability principles; (c) Social responsibility initiatives including workforce development, diversity and inclusion programs, and community engagement; (d) Corporate governance structures ensuring accountability and regulatory compliance; and (e) Stakeholder engagement and transparent reporting through standardized frameworks.

1.3 Governance Structure and Oversight

The Board of Directors shall maintain ultimate oversight of ESG matters through its ESG Committee, which shall: (a) Review and approve ESG strategies and policies on a semi-annual basis; (b) Monitor implementation and performance against established metrics; (c) Ensure integration with risk management frameworks and compliance programs; (d) Report quarterly to the full Board on ESG matters and progress; (e) Conduct annual assessments of ESG program effectiveness; (f) Approve material ESG-related disclosures and communications; and (g) Oversee the allocation of resources for ESG initiatives.

1.4 Integration with Business Operations

ESG considerations shall be embedded within: (a) Product development and deployment processes, including environmental impact assessments; (b) Customer engagement and service delivery, emphasizing sustainable solutions; (c) Supplier selection and management, incorporating ESG criteria in procurement; (d) Employee training and development programs; and (e) Strategic planning and capital allocation decisions.

1.5 Performance Measurement and Reporting

The Company shall: (a) Establish quantifiable ESG performance indicators; (b) Conduct regular audits of ESG compliance and performance; (c) Maintain comprehensive ESG data collection systems; (d) Issue annual sustainability reports following recognized standards; (e) Engage third-party verification of ESG metrics when appropriate; and (f) Participate in relevant ESG rating and ranking programs.

1.6 Stakeholder Engagement

The Company commits to: (a) Regular dialogue with stakeholders on ESG matters; (b) Transparent communication of ESG goals and progress; (c) Incorporation of stakeholder feedback in ESG strategy; (d) Collaboration with industry partners on ESG initiatives; and (e) Participation in relevant industry associations and working groups.

1.7 Policy Review and Updates

This Policy shall be: (a) Reviewed annually by the ESG Committee; (b) Updated to reflect evolving ESG standards and practices; (c) Communicated to all employees and relevant stakeholders; and (d) Publicly available through appropriate corporate channels.

2.0 ENVIRONMENTAL IMPACT AND SUSTAINABILITY

2.1 Carbon Footprint Measurement

The Company shall: (a) Utilize the Greenhouse Gas Protocol Corporate Standard for emissions accounting, including all updates and amendments thereto as published by the World Resources Institute; (b) Calculate Scope 1, 2, and material Scope 3 emissions quarterly, with detailed reporting of: (i) Direct emissions from owned or controlled sources; (ii) Indirect emissions from purchased electricity, steam, heating, and cooling; and (iii) All relevant upstream and downstream emissions in the value chain; (c) Maintain third-party verification of emissions data through an accredited verification body meeting ISO 14064-3 standards; (d) Set science-based reduction targets aligned with the Paris Agreement, specifically: (i) Minimum 50% reduction in absolute emissions by 2030; (ii) Net-zero emissions achievement by 2050; and (iii) Annual progress reporting to stakeholders.

2.2 Data Center Efficiency

All Company-operated and contracted data centers must: (a) Maintain Power Usage Effectiveness (PUE) ratio below 1.5, with: (i) Quarterly audits of PUE performance; (ii) Remediation plans for facilities exceeding threshold; (iii) Annual efficiency improvement targets; (b) Source minimum 75% renewable energy by 2025 through: (i) Direct power purchase agreements (PPAs); (ii) On-site renewable generation where feasible; (iii) Renewable Energy Certificates (RECs) from certified sources; (c) Implement best-practice cooling optimization, including: (i) Free cooling systems where climatically viable; (ii) Hot/cold aisle containment; (iii) Variable speed fan systems; (iv) Temperature and humidity monitoring systems; (d) Report energy efficiency metrics monthly, including: (i) Total energy consumption; (ii) Renewable energy percentage; (iii) Water usage effectiveness (WUE); (iv) Carbon usage effectiveness (CUE).

2.3 AI Processing Environmental Impact

The Company commits to: (a) Measuring and optimizing computational efficiency of AI models through: (i) Performance per watt benchmarking; (ii) Model architecture optimization; (iii) Training efficiency metrics; (b) Implementing energy-aware model training protocols, including: (i) Scheduled training during renewable energy peak availability; (ii) Dynamic voltage and frequency scaling; (iii) Workload consolidation strategies; (c) Utilizing edge computing to reduce data transfer energy usage by: (i) Implementing local processing where

feasible; (ii) Optimizing data transmission protocols; (iii) Deploying energy-efficient edge devices; (d) Developing energy consumption benchmarks for AI operations with: (i) Standard measurement methodologies; (ii) Industry-wide reporting frameworks; (iii) Regular performance assessments.

2.4 Hardware Lifecycle Management

The Company shall: (a) Design for minimum 5-year hardware lifespan through: (i) Modular component architecture; (ii) Firmware update capability; (iii) Repair and maintenance protocols; (b) Implement circular economy principles in hardware procurement by: (i) Prioritizing recycled materials; (ii) Designing for disassembly; (iii) Establishing take-back programs; (c) Ensure responsible disposal of electronic waste through: (i) Certified e-waste recycling partners; (ii) Documentation of disposal chain of custody; (iii) Annual waste audit reports; (d) Require supplier compliance with environmental standards including: (i) ISO 14001 certification; (ii) Restricted substances declarations; (iii) Carbon disclosure reporting.

2.5 Compliance and Reporting

The Company shall: (a) Submit annual environmental impact reports to: (i) Board of Directors; (ii) Relevant regulatory authorities; (iii) Public stakeholders; (b) Maintain environmental management system certification; (c) Conduct regular third-party environmental audits; (d) Update environmental targets and metrics annually.

3.0 SOCIAL RESPONSIBILITY AND ETHICS

3.1 AI Ethics Guidelines

All AI development and deployment shall adhere to: (a) Transparency in algorithmic decision-making, including: (i) Documentation of training data sources and methodologies; (ii) Clear disclosure of AI system capabilities and limitations; (iii) Explainable AI frameworks for high-risk applications; and (iv) Regular publication of algorithmic impact statements.

(b) Fairness and bias prevention protocols, encompassing: (i) Pre-deployment bias testing across protected characteristics; (ii) Quarterly demographic parity assessments; (iii) Implementation of debiasing techniques; and (iv) Independent third-party fairness audits.

(c) Human oversight of critical systems, requiring: (i) Designated human supervisors for each AI system; (ii) Clear escalation procedures for edge cases; (iii) Manual review thresholds for high-stakes decisions; and (iv) Regular human-in-the-loop validation exercises.

(d) Regular ethical impact assessments, including: (i) Quarterly ethics review board meetings; (ii) Stakeholder consultation processes; (iii) Documentation of potential societal impacts; and (iv) Mitigation strategies for identified risks.

3.2 Data Privacy and Security

The Company shall maintain: (a) SOC 2 Type II certification, verified through: (i) Annual third-party audits; (ii) Continuous monitoring systems; (iii) Documentation of control effectiveness; and (iv) Prompt remediation of identified gaps.

(b) ISO 27001 compliance, demonstrated by: (i) Information security management system (ISMS); (ii) Risk assessment and treatment plans; (iii) Security awareness training programs; and (iv) Regular management reviews.

(c) GDPR and CCPA compliance programs, including: (i) Data protection impact assessments; (ii) Privacy by design protocols; (iii) Data subject rights management systems; and (iv) Cross-border data transfer mechanisms.

(d) Regular security audits and penetration testing, comprising: (i) Quarterly vulnerability assessments; (ii) Annual red team exercises; (iii) Continuous security monitoring; and (iv) Incident response protocols.

3.3 Workforce Diversity and Inclusion

The Company commits to: (a) Annual diversity metrics reporting, detailing: (i) Representation across all organizational levels; (ii) Recruitment and retention statistics; (iii) Promotion rates by demographic group; and (iv) Pay equity indicators.

(b) Pay equity analysis and remediation, through: (i) Semi-annual compensation reviews; (ii) Statistical analysis of pay disparities; (iii) Adjustment protocols for identified gaps; and (iv) Transparent reporting of findings.

(c) Inclusive hiring and promotion practices, including: (i) Diverse candidate slate requirements; (ii) Structured interview processes; (iii) Bias mitigation training for hiring managers; and (iv) Career development programs.

(d) Employee resource group support, providing: (i) Executive sponsorship and funding; (ii) Professional development opportunities; (iii) Mentorship programs; and (iv) Community engagement initiatives.

3.4 Community Impact

The Company shall: (a) Invest 1% of annual revenue in STEM education through: (i) School partnership programs; (ii) Scholarship initiatives; (iii) Teacher training support; and (iv) Educational technology grants.

(b) Provide pro bono AI consulting to nonprofits, including: (i) Technical advisory services; (ii) Implementation support; (iii) Capacity building programs; and (iv) Impact measurement assistance.

(c) Support local workforce development via: (i) Apprenticeship programs; (ii) Skills training partnerships; (iii) Job placement assistance; and (iv) Career transition support.

(d) Measure and report community impact metrics through: (i) Quarterly impact assessments; (ii) Stakeholder feedback mechanisms; (iii) Long-term outcome tracking; and (iv) Annual public reporting.

3.5 Implementation and Oversight

The Company shall establish: (a) An Ethics Advisory Board comprising: (i) Independent external experts; (ii) Company leadership representatives; (iii) Employee delegates; and (iv) Community stakeholders.

(b) Regular compliance monitoring through: (i) Monthly progress reviews; (ii) Key performance indicator tracking; (iii) Internal audit procedures; and (iv) External verification processes.

(c) Accountability mechanisms including: (i) Executive compensation ties to social impact goals; (ii) Regular board oversight; (iii) Public reporting requirements; and (iv) Stakeholder engagement processes.

4.0 CORPORATE GOVERNANCE AND COMPLIANCE

4.1 Board ESG Oversight

The Board shall: (a) Maintain dedicated ESG Committee comprised of no fewer than three (3) independent directors, with at least one (1) member possessing substantial environmental, social, or governance expertise; (b) Review ESG performance quarterly through standardized reporting metrics, including but not limited to environmental impact assessments, social responsibility initiatives, and governance compliance measures; (c) Approve ESG targets and metrics aligned with industry standards and frameworks, including SASB, GRI, and TCFD recommendations; and (d) Ensure ESG risk management integration through regular oversight of management's implementation of ESG strategies and policies.

The ESG Committee shall: (e) Meet no less frequently than quarterly; (f) Maintain detailed minutes of all proceedings; (g) Report directly to the full Board at each regularly scheduled Board meeting; and (h) Conduct annual self-evaluation of Committee effectiveness.

4.2 Risk Management Framework

The Company shall: (a) Maintain enterprise ESG risk register that: (i) Identifies and categorizes material ESG risks; (ii) Assesses probability and potential impact; (iii) Documents mitigation strategies; and (iv) Assigns clear ownership and accountability;

(b) Conduct annual ESG materiality assessment incorporating: (i) Industry-specific risk factors; (ii) Regulatory landscape analysis; (iii) Peer benchmarking; and (iv) Stakeholder feedback;

- (c) Integrate ESG factors in due diligence processes for: (i) Mergers and acquisitions; (ii) Strategic partnerships; (iii) Supply chain relationships; and (iv) Capital allocation decisions;
- (d) Report material ESG risks to Board through: (i) Quarterly risk dashboard updates; (ii) Immediate notification of critical issues; (iii) Annual comprehensive risk review; and (iv) Integration with enterprise risk management.

4.3 Compliance Monitoring

The Company shall: (a) Maintain ESG compliance calendar tracking: (i) Regulatory filing deadlines; (ii) Reporting obligations; (iii) Certification requirements; and (iv) Internal audit schedules;

(b) Conduct quarterly compliance reviews addressing: (i) Environmental permits and regulations; (ii) Labor and employment standards; (iii) Corporate governance requirements; and (iv) Industry-specific obligations;

(c) Engage external ESG auditors annually to: (i) Verify compliance status; (ii) Assess control effectiveness; (iii) Review disclosure accuracy; and (iv) Recommend improvements;

(d) Report compliance status to Board including: (i) Violation notifications; (ii) Remediation efforts; (iii) Regulatory investigations; and (iv) Material non-compliance risks.

4.4 Stakeholder Engagement

The Company commits to: (a) Annual stakeholder materiality assessment through: (i) Structured surveys; (ii) Focus groups; (iii) Individual interviews; and (iv) Public consultation where appropriate;

(b) Quarterly investor ESG updates including: (i) Performance metrics; (ii) Progress against targets; (iii) Risk management updates; and (iv) Strategic initiatives;

(c) Regular customer ESG surveys addressing: (i) Sustainability preferences; (ii) Social responsibility expectations; (iii) Governance concerns; and (iv) Product impact considerations;

(d) Employee ESG feedback mechanisms including: (i) Anonymous reporting channels; (ii) Regular town halls; (iii) Department-level consultations; and (iv) ESG suggestion programs.

4.5 Documentation and Reporting

The Company shall maintain: (a) Comprehensive ESG policy manual; (b) Board and committee meeting minutes; (c) Risk assessment documentation; (d) Compliance monitoring records; (e) Stakeholder engagement logs; (f) External audit reports; (g) Training and communication materials; and (h) Annual ESG performance reports.

4.6 Review and Amendment

This Corporate Governance and Compliance framework shall: (a) Be reviewed annually by the Board; (b) Be updated to reflect regulatory changes; (c) Incorporate emerging best practices; and (d) Maintain alignment with Company strategy and stakeholder expectations.

5.0 IMPLEMENTATION AND REPORTING

5.1 ESG Metrics and KPIs

The Company shall track and report: (a) Environmental metrics per GRI Standards, including but not limited to: (i) Scope 1, 2, and 3 greenhouse gas emissions; (ii) Energy consumption and efficiency metrics; (iii) Water usage and discharge quality measures; (iv) Waste management and circular economy indicators; (b) Social impact metrics per SASB framework, encompassing: (i) Employee health and safety statistics; (ii) Workforce diversity and inclusion metrics; (iii) Community engagement measurements; (iv) Supply chain labor standards compliance; (c) Governance metrics per ISS guidelines, including: (i) Board composition and independence; (ii) Executive compensation alignment; (iii) Shareholder rights measures; (iv) Risk management effectiveness; (d) Custom AI ethics metrics, comprising: (i) Algorithm bias assessment scores; (ii) AI transparency indicators; (iii) Data privacy compliance rates; (iv) Ethical AI development benchmarks.

5.2 Reporting Framework

The Company shall: (a) Publish annual ESG report containing: (i) Comprehensive performance analysis; (ii) Progress against stated targets; (iii) Forward-looking commitments; (iv) Material risk assessments; (b) Maintain ESG data dashboard with: (i) Real-time performance indicators; (ii) Trend analysis capabilities; (iii) Stakeholder access protocols; (iv) Data verification mechanisms; (c) Provide quarterly ESG updates including: (i) Key metric progression; (ii) Significant initiatives status; (iii) Regulatory compliance status; (iv) Emerging risk factors; (d) Respond to ESG rating agencies through: (i) Standardized submission protocols; (ii) Documentation verification processes; (iii) Rating improvement action plans; (iv) Engagement strategy implementation.

5.3 Third-Party Verification

The Company shall engage: (a) Independent ESG auditors to: (i) Verify reported metrics accuracy; (ii) Assess internal controls; (iii) Review calculation methodologies; (iv) Provide assurance statements; (b) AI ethics review board comprising: (i) External technology experts; (ii) Ethics specialists; (iii) Industry representatives; (iv) Academic advisors; (c) Environmental certification bodies to: (i) Validate environmental claims; (ii) Issue relevant certifications; (iii) Conduct compliance audits; (iv) Monitor ongoing performance; (d) Social impact assessors

for: (i) Community impact evaluation; (ii) Stakeholder engagement review; (iii) Social return measurement; (iv) Program effectiveness analysis.

5.4 Continuous Improvement

The Company commits to: (a) Annual Policy review and updates through: (i) Systematic assessment procedures; (ii) Stakeholder consultation processes; (iii) Regulatory alignment review; (iv) Implementation effectiveness evaluation; (b) Regular benchmark analysis including: (i) Peer performance comparison; (ii) Industry best practice review; (iii) Global standards assessment; (iv) Innovation opportunity identification; (c) Stakeholder feedback integration via: (i) Structured feedback mechanisms; (ii) Regular consultation forums; (iii) Adaptation protocols; (iv) Response tracking systems; (d) Best practice adoption through: (i) Implementation roadmap development; (ii) Resource allocation planning; (iii) Change management processes; (iv) Success metric definition.