

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

Effective Date: January 15, 2024

WHEREAS, Nexus Industrial Intelligence, Inc., a Delaware corporation (the "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 (the "Board") has determined it is 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 (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 partners of the Company globally. The provisions herein establish binding requirements for the Company's development, deployment, and maintenance of artificial intelligence and machine learning solutions. This Policy extends to all subsidiaries, joint ventures where the Company maintains operational control, and third-party entities acting on the Company's behalf.

1.2 ESG Governance Structure

(a) The Board shall maintain ultimate oversight responsibility for ESG matters through its ESG Committee (the "Committee"), which shall meet quarterly to review performance metrics and strategic initiatives.

(b) The Chief Executive Officer shall appoint an ESG Officer responsible for day-to-day implementation of this Policy, who shall report directly to the Committee on a monthly basis.

(c) Department heads shall integrate ESG considerations into their respective operational areas and submit quarterly compliance reports.

(d) The ESG Officer shall establish and maintain a cross-functional ESG Working Group comprising representatives from Legal, Operations, Research & Development, Human Resources, and Finance departments.

1.3 Regulatory Compliance Framework

The Company shall comply with all applicable laws, regulations, and standards relating to: (a) Environmental protection and climate change, including carbon emissions reporting, waste management protocols, and energy efficiency standards

(b) Data privacy and protection, encompassing GDPR, CCPA, and other relevant data protection regulations

(c) Artificial intelligence ethics and governance, including algorithmic fairness, transparency, and accountability measures

(d) Industrial safety and workplace conditions, incorporating OSHA standards and international labor guidelines

(e) Corporate governance and securities regulations, including SEC reporting requirements and stock exchange listing standards

1.4 Integration with Business Operations

ESG principles shall be incorporated into: (a) Product development and deployment processes, including mandatory ESG impact assessments for new products and services

(b) Risk assessment and management procedures, with quarterly ESG risk reviews and mitigation planning

(c) Vendor and supplier relationships, requiring minimum ESG performance standards and regular audits

(d) Client engagement protocols, including ESG-related disclosures and reporting requirements

(e) Internal operations and facility management, implementing sustainable practices and monitoring systems

1.5 Performance Measurement and Reporting

(a) The Company shall establish and maintain quantifiable ESG performance metrics aligned with recognized international standards.

(b) Annual ESG reports shall be published detailing the Company's performance against established targets.

(c) Independent third-party verification of ESG metrics shall be conducted biennially.

1.6 Stakeholder Engagement

- (a) The Company shall maintain regular dialogue with stakeholders regarding ESG matters through formal consultation processes.
- (b) ESG-related grievance mechanisms shall be established and maintained for all stakeholder groups.
- (c) Annual stakeholder surveys shall be conducted to assess ESG performance and identify areas for improvement.

1.7 Policy Review and Updates

This Policy shall be reviewed annually by the Committee and updated as necessary to reflect evolving ESG standards, regulatory requirements, and stakeholder expectations. Material changes to this Policy shall require Board approval and prompt communication to all affected parties.

2.0 ENVIRONMENTAL IMPACT AND SUSTAINABILITY

2.1 Carbon Footprint Management

- (a) The Company shall measure and monitor the carbon footprint of its computing infrastructure, including: (i) Data center operations, including primary, backup, and disaster recovery facilities (ii) Edge computing devices and distributed processing nodes (iii) Development, testing, and staging environments (iv) Network infrastructure and transmission systems (v) Employee workstations and remote computing resources
- (b) Annual carbon reduction targets shall be: (i) Established with minimum 5% year-over-year reduction requirements (ii) Reviewed quarterly by the Environmental Steering Committee (iii) Validated by third-party environmental auditors (iv) Reported to stakeholders through standardized disclosure frameworks
- (c) Carbon offset programs shall: (i) Be verified by internationally recognized certification bodies (ii) Maintain a portfolio diversification of at least three distinct offset types (iii) Prioritize local and regional offset projects where feasible (iv) Be reviewed annually for effectiveness and compliance

2.2 Energy Efficiency Protocols

- (a) All computing resources shall implement energy optimization algorithms, including: (i) Dynamic voltage and frequency scaling (ii) Workload consolidation and migration (iii) Automated power-down of idle resources (iv) Thermal-aware scheduling and resource allocation

- (b) The Company shall maintain ISO 50001 certification for energy management systems and:
- (i) Conduct monthly energy efficiency audits
 - (ii) Implement continuous monitoring systems
 - (iii) Maintain documentation of all optimization efforts
 - (iv) Train personnel in energy management best practices
- (c) Energy efficiency metrics shall be:
- (i) Measured using industry-standard Power Usage Effectiveness (PUE)
 - (ii) Maintained below 1.5 PUE for all data center operations
 - (iii) Reported monthly to the Environmental Steering Committee
 - (iv) Incorporated into performance evaluations

2.3 Sustainable Data Center Practices

- (a) Data center providers must meet minimum renewable energy usage requirements:
- (i) 80% renewable energy usage by 2024
 - (ii) 90% renewable energy usage by 2026
 - (iii) 95% renewable energy usage by 2028
 - (iv) 100% renewable energy usage by 2030
- (b) Water usage effectiveness (WUE) shall be:
- (i) Monitored continuously through automated systems
 - (ii) Maintained below 1.8 L/kWh
 - (iii) Optimized through closed-loop cooling systems
 - (iv) Reported quarterly to regulatory authorities
- (c) Data center sustainability requirements include:
- (i) Implementation of heat recycling systems
 - (ii) Use of biodegradable cleaning products
 - (iii) Waste reduction and recycling programs
 - (iv) Green building certification maintenance

2.4 Environmental Monitoring and Reporting

- (a) Quarterly environmental impact assessments shall:
- (i) Follow ISO 14001 Environmental Management Systems standards
 - (ii) Include scope 1, 2, and 3 emissions
 - (iii) Assess supply chain environmental impact
 - (iv) Evaluate compliance with environmental regulations
- (b) Annual sustainability reports shall:
- (i) Comply with Global Reporting Initiative (GRI) Standards
 - (ii) Include third-party verification
 - (iii) Detail progress toward environmental goals
 - (iv) Provide stakeholder engagement summaries
- (c) Environmental incident reporting procedures shall:
- (i) Define classification of environmental incidents
 - (ii) Establish notification timeframes and procedures
 - (iii) Require root cause analysis
 - (iv) Mandate corrective action planning

2.5 Compliance and Enforcement

- (a) The Company shall maintain:
- (i) Environmental compliance documentation
 - (ii) Regular staff training programs
 - (iii) Internal audit procedures
 - (iv) Violation reporting mechanisms
- (b) Non-compliance consequences shall include:
- (i) Mandatory corrective action plans
 - (ii) Financial penalties for responsible parties
 - (iii) Performance improvement requirements
 - (iv) Potential termination for repeated violations

3.0 SOCIAL RESPONSIBILITY AND ETHICS

3.1 AI Ethics Guidelines

- (a) All AI/ML solutions shall adhere to the Company's AI Ethics Framework, including: (i) Fairness and bias prevention through continuous monitoring and mitigation of algorithmic bias (ii) Transparency and explainability of decision-making processes (iii) Human oversight and control with clearly defined intervention protocols (iv) Safety and reliability standards compliance
- (b) Regular ethics assessments shall be conducted on all deployed systems: (i) Quarterly algorithmic audits by independent third parties (ii) Monthly internal review of system decisions and outcomes (iii) Documentation of all ethical considerations and mitigations (iv) Annual comprehensive ethics impact assessment
- (c) Ethics Review Board shall: (i) Convene monthly to evaluate system performance (ii) Review and approve all major AI deployments (iii) Establish remediation protocols for identified issues (iv) Report directly to the Board of Directors

3.2 Workforce Diversity and Inclusion

- (a) The Company shall maintain specific diversity targets for: (i) Technical roles: minimum 40% representation of underrepresented groups (ii) Management positions: minimum 35% gender diversity (iii) Board composition: minimum 30% diversity across multiple dimensions (iv) Leadership development programs: 50% participation from diverse candidates
- (b) Annual diversity reports shall include: (i) Detailed metrics on hiring, promotion, and retention (ii) Pay equity analysis and remediation plans (iii) Progress against established targets (iv) Implementation status of inclusion initiatives
- (c) Diversity and Inclusion Programs shall encompass: (i) Mandatory unconscious bias training for all employees (ii) Mentorship programs for underrepresented groups (iii) Employee resource group support and funding (iv) Inclusive recruitment and promotion practices

3.3 Data Privacy and Protection

- (a) All data processing shall comply with: (i) GDPR requirements and updates (ii) CCPA provisions and amendments (iii) Industry-specific regulations (iv) Local data protection laws in operating jurisdictions
- (b) Regular privacy impact assessments shall include: (i) Quarterly data processing audits (ii) Annual comprehensive privacy reviews (iii) Third-party verification of compliance (iv) Documentation of all data flows and processing activities

(c) Data Protection Measures shall incorporate: (i) Encryption standards for data at rest and in transit (ii) Access control protocols and authentication requirements (iii) Data minimization and retention policies (iv) Incident response and breach notification procedures

3.4 Community Engagement

(a) The Company shall maintain programs for: (i) STEM education support through partnerships with educational institutions (ii) Workforce development initiatives targeting displaced workers (iii) Technology access initiatives in underserved communities (iv) Digital literacy programs for vulnerable populations

(b) Community Investment shall include: (i) Annual allocation of 2% of net profits to community programs (ii) Employee volunteer programs with paid time off (iii) Matching gift programs for employee charitable contributions (iv) Technology grants for nonprofit organizations

3.5 Environmental Responsibility

(a) The Company shall implement: (i) Carbon neutrality targets and timeline (ii) Sustainable technology practices (iii) E-waste management programs (iv) Green data center initiatives

(b) Environmental Impact Reporting shall include: (i) Quarterly sustainability metrics (ii) Annual environmental impact assessments (iii) Progress against reduction targets (iv) Third-party verification of environmental claims

3.6 Compliance and Reporting

(a) The Company shall maintain: (i) Regular reporting to stakeholders on all social responsibility initiatives (ii) Public transparency dashboards (iii) Independent verification of compliance (iv) Stakeholder feedback mechanisms

(b) Annual Social Responsibility Report shall detail: (i) Progress against all established targets (ii) Investment in social initiatives (iii) Impact measurements and outcomes (iv) Future commitments and objectives

(c) Enforcement mechanisms shall include: (i) Regular internal audits (ii) External compliance reviews (iii) Corrective action protocols (iv) Stakeholder accountability measures

4.0 GOVERNANCE AND RISK MANAGEMENT

4.1 ESG Oversight Responsibilities

(a) The Committee shall: (i) Review ESG strategy quarterly, including assessment of implementation progress, resource allocation, and strategic alignment (ii) Approve major ESG initiatives exceeding \$500,000 in value or affecting more than 15% of operations (iii) Monitor

performance metrics through standardized dashboards and quarterly assessments (iv) Establish annual ESG targets and key performance indicators (v) Review and approve ESG-related disclosures in public communications

(b) Management shall: (i) Provide monthly ESG status reports detailing progress, challenges, and mitigation strategies (ii) Maintain dedicated ESG personnel and resources (iii) Implement Committee-approved initiatives within specified timeframes (iv) Develop annual ESG budgets and resource allocation plans

4.2 Risk Assessment Framework

(a) ESG risks shall be evaluated using: (i) Industry-standard methodologies aligned with TCFD, SASB, and GRI frameworks (ii) Proprietary risk models incorporating both quantitative and qualitative factors (iii) External audit findings from qualified third-party assessors (iv) Scenario analysis for climate-related risks (v) Supply chain vulnerability assessments

(b) Risk Assessment Procedures shall include: (i) Quarterly risk reviews and updates (ii) Annual comprehensive risk assessment (iii) Event-driven reassessments when material changes occur (iv) Integration with enterprise risk management systems (v) Regular validation of risk models and methodologies

4.3 Compliance Monitoring

(a) The Company shall maintain: (i) Internal audit procedures with dedicated ESG audit protocols (ii) Compliance tracking systems with real-time monitoring capabilities (iii) Incident response protocols with defined escalation procedures (iv) Documentation management systems for ESG-related records (v) Regular compliance training programs for relevant personnel

(b) Compliance Requirements: (i) Monthly compliance reviews by designated officers (ii) Quarterly compliance reports to the Committee (iii) Annual external compliance audits (iv) Maintenance of compliance logs and incident records (v) Regular updates to compliance procedures based on regulatory changes

4.4 Stakeholder Engagement

(a) Regular engagement shall occur with: (i) Shareholders through quarterly meetings and annual ESG forums (ii) Employees via town halls, surveys, and dedicated ESG communication channels (iii) Customers through feedback mechanisms and sustainability reporting (iv) Communities via local outreach programs and impact assessments (v) Regulators through proactive dialogue and periodic updates

(b) Engagement Protocols: (i) Documented engagement procedures for each stakeholder group (ii) Regular stakeholder mapping and prioritization (iii) Feedback collection and response

mechanisms (iv) Impact assessment of engagement activities (v) Annual stakeholder engagement planning

4.5 Technology and Innovation Governance

(a) AI/ML Development Controls: (i) Ethics review board approval for AI/ML implementations (ii) Regular algorithm audits and bias assessments (iii) Data governance and privacy controls (iv) Performance monitoring and validation protocols (v) Documentation of AI/ML decision-making processes

(b) Innovation Management: (i) ESG innovation pipeline review process (ii) Technology impact assessments (iii) Sustainable technology adoption frameworks (iv) Regular review of emerging ESG technologies (v) Integration with corporate innovation strategy

5.0 IMPLEMENTATION AND REPORTING

5.1 Implementation Timeline

(a) Phase 1: Initial deployment (Q1 2024) (i) System architecture implementation (ii) Personnel training and certification (iii) Pilot program deployment in designated facilities (b) Phase 2: Full implementation (Q2-Q3 2024) (i) Sequential rollout across all operational units (ii) Integration with existing management systems (iii) Compliance verification and documentation (c) Phase 3: Optimization (Q4 2024) (i) Performance assessment and refinement (ii) Stakeholder feedback integration (iii) System enhancement protocols

5.2 Performance Metrics

(a) Environmental metrics (i) Carbon emissions reduction (Scope 1, 2, and 3) (ii) Resource utilization efficiency (iii) Waste management effectiveness (iv) Environmental incident frequency rate (b) Social impact indicators (i) Employee engagement scores (ii) Community investment outcomes (iii) Supply chain labor compliance (iv) Diversity and inclusion metrics (c) Governance effectiveness measures (i) Board diversity and independence (ii) Ethics violation reporting (iii) Regulatory compliance rate (iv) Risk management effectiveness

5.3 Reporting Procedures

(a) Quarterly ESG performance reports (i) Data collection protocols (ii) Internal review process (iii) Executive committee validation (iv) Stakeholder distribution requirements (b) Annual sustainability report (i) Third-party assurance requirements (ii) GRI Standards compliance (iii) SASB framework alignment (iv) TCFD disclosure integration (c) Regulatory filings as required (i) SEC reporting obligations (ii) Environmental agency submissions (iii) Local authority requirements (iv) International compliance documentation

5.4 Stakeholder Communication

(a) Regular updates via: (i) Investor relations - Quarterly earnings calls - ESG investor presentations - Shareholder communications (ii) Corporate communications - Press releases - Social media updates - Employee newsletters (iii) Sustainability website - Real-time performance dashboards - Interactive ESG data portal - Stakeholder feedback mechanisms

5.5 Implementation Oversight

(a) ESG Steering Committee (i) Monthly progress reviews (ii) Resource allocation authority (iii) Strategic adjustment capabilities (b) Independent verification (i) External auditor engagement (ii) Compliance certification (iii) Performance validation protocols

IN WITNESS WHEREOF, this Policy has been executed as of the date first written above.

[Signature blocks and appendices follow as in original]