

# **ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY AND IMPLEMENTATION FRAMEWORK**

THIS ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY AND IMPLEMENTATION FRAMEWORK (this "Framework") is adopted as of January 15, 2024 (the "Effective Date") by NEXUS INDUSTRIAL INTELLIGENCE, INC., a Delaware corporation (the "Company").

WHEREAS, 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 robust corporate governance;

WHEREAS, the Board of Directors 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 Framework as follows:

## **1.0 ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY STATEMENT**

### **1.1 Scope and Applicability**

This Framework shall apply to all operations, employees, contractors, and business activities of the Company globally. The policies and procedures herein shall govern the Company's approach to environmental sustainability, social responsibility, ethical AI deployment, and corporate governance. This Framework extends to all subsidiaries, joint ventures where the Company maintains operational control, and third-party vendors operating under the Company's direct supervision. Compliance with this Framework is mandatory and shall be considered a fundamental condition of employment and business partnership.

### **1.2 ESG Governance Structure**

(a) The Board of Directors shall maintain ultimate oversight of ESG matters through its ESG Committee (the "Committee"), which shall meet no less than quarterly to review performance metrics, strategic initiatives, and compliance matters.

(b) The Chief Executive Officer shall appoint an ESG Steering Committee comprising senior executives to implement this Framework. The Steering Committee shall convene monthly and maintain direct reporting lines to the Board Committee.

(c) The ESG Program Office, led by the Vice President of ESG Affairs, shall coordinate day-to-day implementation, including: (i) Development and maintenance of ESG policies and procedures (ii) Monitoring and reporting of key performance indicators (iii) Stakeholder engagement and communications (iv) Training and capacity building programs (v) Compliance monitoring and audit coordination

### **1.3 Reporting and Disclosure**

The Company shall: (a) Publish an annual ESG Report in accordance with Sustainability Accounting Standards Board (SASB) standards and Task Force on Climate-related Financial Disclosures (TCFD) recommendations

(b) Maintain transparent stakeholder communications regarding ESG initiatives through: (i) Quarterly progress updates (ii) Dedicated ESG portal on corporate website (iii) Regular stakeholder engagement sessions (iv) Incident reporting and response protocols

(c) Participate in relevant ESG rating and ranking programs, including but not limited to: (i) CDP Climate Change and Water Security assessments (ii) MSCI ESG Ratings (iii) Dow Jones Sustainability Indices (iv) ISS ESG Corporate Rating

(d) Disclose material ESG risks and opportunities in SEC filings as appropriate, including: (i) Annual Reports (Form 10-K) (ii) Quarterly Reports (Form 10-Q) (iii) Current Reports (Form 8-K) (iv) Proxy Statements

### **1.4 Business Integration**

ESG considerations shall be incorporated into: (a) Strategic planning processes, including annual business planning and capital allocation decisions

(b) Product development and innovation, with particular emphasis on: (i) Environmental impact assessment (ii) Ethical AI principles (iii) Circular economy considerations (iv) Social impact evaluation

(c) Risk management procedures, including: (i) Environmental risk assessments (ii) Human rights due diligence (iii) Supply chain sustainability (iv) Climate change adaptation and mitigation

(d) Performance metrics and incentives, including: (i) Executive compensation alignment (ii) Department-level ESG objectives (iii) Individual performance goals

(e) Stakeholder engagement activities, encompassing: (i) Community relations (ii) Investor communications (iii) Employee engagement (iv) Supplier development

## **2.0 ENVIRONMENTAL IMPACT AND SUSTAINABILITY**

### **2.1 Carbon Footprint Measurement**

- (a) The Company shall measure and track its carbon footprint using the Greenhouse Gas Protocol, including: (i) Scope 1 emissions from direct operations, including company vehicles, on-site fuel combustion, and facility operations (ii) Scope 2 emissions from purchased electricity, steam, heating, and cooling for Company use (iii) Scope 3 emissions from value chain activities, including business travel, employee commuting, and supplier operations
- (b) Annual targets shall be established for emissions reduction, with: (i) Quarterly progress reviews and reporting to the Board of Directors (ii) Implementation of corrective measures if targets are not met (iii) External verification of emissions data by accredited third parties (iv) Public disclosure of emissions data in annual sustainability reports
- (c) The Company shall maintain detailed emissions inventory records for a minimum of seven (7) years.

### **2.2 Data Center Operations**

- (a) All Company data centers shall: (i) Maintain Power Usage Effectiveness (PUE) ratio below 1.5 (ii) Source minimum 75% renewable energy by 2025, with annual incremental targets (iii) Implement best-practice cooling efficiency measures, including: - Free cooling systems where climatically viable - Hot/cold aisle containment - Variable speed fans and pumps - Temperature and humidity optimization (iv) Monitor and optimize server utilization through: - Virtualization with minimum 80% consolidation ratio - Automated workload balancing - Regular retirement of inefficient equipment - Real-time power consumption monitoring
- (b) Data center construction and renovation shall: (i) Meet LEED Gold certification standards minimum (ii) Incorporate sustainable building materials (iii) Include on-site renewable energy generation where feasible (iv) Implement water conservation measures

### **2.3 AI Processing Environmental Impact**

- (a) The Company shall track energy consumption of AI model training and inference through: (i) Per-model energy usage monitoring (ii) Carbon intensity calculations for training sessions (iii) Regular efficiency benchmarking against industry standards (iv) Documentation of optimization techniques employed
- (b) Energy-efficient AI architectures shall be implemented, including: (i) Model compression and pruning techniques (ii) Efficient neural architecture search (iii) Transfer learning optimization (iv) Distributed training protocols
- (c) Edge computing deployments shall: (i) Meet minimum efficiency standards of 80% resource utilization (ii) Implement power-aware scheduling algorithms (iii) Utilize energy-efficient hardware accelerators (iv) Report monthly energy consumption metrics

## **2.4 Waste Management**

- (a) Electronic waste disposal shall: (i) Be conducted exclusively through certified e-waste recyclers (ii) Include detailed chain of custody documentation (iii) Comply with all applicable regional regulations (iv) Be audited annually for compliance
- (b) Data center equipment management shall: (i) Prioritize refurbishment over replacement (ii) Maintain minimum 85% equipment utilization rates (iii) Implement predictive maintenance programs (iv) Document all disposal decisions and rationales
- (c) Office waste reduction programs shall: (i) Achieve 80% waste diversion from landfills by 2024 (ii) Implement composting for organic waste (iii) Eliminate single-use plastics (iv) Conduct quarterly waste audits
- (d) Supplier requirements shall include: (i) Minimum 50% recycled content in packaging materials (ii) Take-back programs for packaging materials (iii) Quarterly reporting on packaging reduction efforts (iv) Compliance with Company's sustainable packaging guidelines

## **2.5 Compliance and Reporting**

- (a) The Company shall: (i) Submit quarterly environmental compliance reports (ii) Maintain ISO 14001 environmental management certification (iii) Conduct annual third-party environmental audits (iv) Report findings to relevant regulatory authorities
- (b) Non-compliance shall result in: (i) Immediate corrective action planning (ii) Management review within 30 days (iii) Implementation of preventive measures (iv) Documentation in corporate environmental records

## **3.0 SOCIAL RESPONSIBILITY AND ETHICS**

### **3.1 AI Ethics Guidelines**

The Company commits to: (a) Developing and deploying AI systems that respect human rights, including but not limited to: (i) Conducting regular human rights impact assessments (ii) Implementing remediation measures for adverse impacts (iii) Establishing clear accountability frameworks (iv) Maintaining documentation of compliance efforts (v) Consulting with affected stakeholders and rights holders

(b) Ensuring algorithmic fairness and preventing bias through: (i) Regular algorithmic audits by qualified third parties (ii) Documentation of training data sources and selection criteria (iii) Implementation of bias detection and mitigation tools (iv) Periodic review of model outputs for discriminatory patterns (v) Establishment of fairness metrics and thresholds

(c) Maintaining human oversight of AI decision-making by: (i) Defining clear roles and responsibilities for human supervisors (ii) Establishing override protocols for automated

decisions (iii) Implementing appeal mechanisms for affected parties (iv) Conducting regular training for oversight personnel (v) Maintaining detailed logs of human intervention instances

(d) Protecting privacy and data security through: (i) Implementation of industry-standard encryption protocols (ii) Regular security audits and penetration testing (iii) Data minimization and retention policies (iv) Incident response and breach notification procedures (v) Employee training on data protection practices

### **3.2 Workforce Diversity**

(a) The Company shall: (i) Maintain diverse hiring practices, including: - Standardized interview processes - Blind resume screening procedures - Diverse interview panels - Structured evaluation criteria - Regular recruiter training on bias prevention

(ii) Provide equal opportunity for advancement through: - Transparent promotion criteria - Mentorship programs - Leadership development initiatives - Regular pay equity reviews - Career progression frameworks

(iii) Foster an inclusive workplace culture by: - Mandatory diversity and inclusion training - Employee resource groups - Cultural celebration initiatives - Regular climate surveys - Anti-discrimination policies

(b) Diversity targets and monitoring: (i) Quarterly progress reviews against established metrics (ii) Annual third-party diversity audits (iii) Public reporting of diversity statistics (iv) Implementation of corrective measures as needed (v) Regular review and adjustment of diversity goals

### **3.3 Data Privacy Standards**

The Company shall: (a) Maintain comprehensive privacy compliance through: (i) Regular privacy impact assessments (ii) Updated data processing agreements (iii) Vendor privacy assessments (iv) Cross-border data transfer mechanisms (v) Privacy notice management systems

(b) Implement Privacy by Design principles including: (i) Data minimization protocols (ii) Purpose limitation requirements (iii) Privacy-enhancing technologies (iv) Default privacy settings (v) Regular privacy training for development teams

(c) Establish data subject rights procedures for: (i) Access requests (ii) Deletion requests (iii) Portability requirements (iv) Consent management (v) Rights exercise tracking

### **3.4 Community Engagement**

(a) The Company shall establish: (i) STEM education partnerships through: - School district collaborations - University research programs - Coding bootcamp sponsorships - Teacher training initiatives - Educational resource development

- (ii) AI skills training programs including: - Free online courses - Certification programs - Apprenticeships - Reskilling initiatives - Industry partnerships
- (iii) Local community support initiatives via: - Grant programs - Technology donations - Infrastructure support - Digital literacy programs - Environmental sustainability projects
- (b) Employee engagement requirements: (i) Minimum 16 hours annual volunteer time (ii) Matching donation programs (iii) Skills-based volunteering opportunities (iv) Community leadership roles (v) Impact measurement and reporting

### **3.5 Implementation and Reporting**

- (a) The Company shall: (i) Establish oversight committees for each initiative (ii) Conduct quarterly progress reviews (iii) Publish annual impact reports (iv) Maintain stakeholder feedback mechanisms (v) Review and update commitments annually
- (b) Non-compliance consequences: (i) Corrective action plans (ii) Executive accountability measures (iii) Performance impact considerations (iv) Stakeholder disclosure requirements (v) Remediation procedures

## **4.0 GOVERNANCE AND RISK MANAGEMENT**

### **4.1 Board Oversight**

- (a) The ESG Committee shall: (i) Meet quarterly to review ESG performance and metrics (ii) Approve ESG strategies, policies, and implementation frameworks (iii) Monitor ESG risks and opportunities across all business units (iv) Report to full Board bi-annually on material ESG matters (v) Maintain documentation of all ESG-related decisions and rationales (vi) Review and approve annual ESG budgets and resource allocations (vii) Establish key performance indicators (KPIs) for ESG initiatives
- (b) Committee Composition shall include: (i) At least one member with environmental expertise (ii) At least one member with AI governance experience (iii) A minimum of three independent directors (iv) The Chief Sustainability Officer as an advisory member

### **4.2 Risk Assessment**

- The Company shall: (a) Conduct annual ESG risk assessments incorporating: (i) Physical climate risk analysis (ii) Transition risk evaluation (iii) Regulatory compliance assessment (iv) Supply chain sustainability review (v) Human rights impact assessment (vi) AI ethics risk evaluation
- (b) Integrate ESG factors into enterprise risk management through: (i) Quarterly risk register updates (ii) Risk materiality assessments (iii) Scenario planning exercises (iv) Impact probability matrices

(c) Monitor emerging ESG regulations and standards via: (i) Regular regulatory tracking systems (ii) External expert consultations (iii) Industry working group participation (iv) Compliance gap analysis

#### **4.3 Compliance Monitoring**

(a) Regular audits shall verify: (i) Environmental compliance and emissions reporting (ii) AI ethics adherence and algorithmic bias testing (iii) Data privacy practices and security protocols (iv) ESG disclosure accuracy and completeness (v) Supply chain due diligence procedures (vi) Human rights compliance measures

(b) Audit procedures shall include: (i) Annual third-party verification (ii) Quarterly internal assessments (iii) Continuous monitoring systems (iv) Incident reporting mechanisms (v) Corrective action tracking

#### **4.4 Stakeholder Engagement**

The Company shall maintain regular dialogue with: (a) Investors regarding: (i) ESG priorities and targets (ii) Performance metrics and progress (iii) Investment criteria alignment (iv) Risk management approaches

(b) Customers concerning: (i) Sustainability requirements and expectations (ii) Product environmental impacts (iii) Ethical AI applications (iv) Data privacy protections

(c) Employees through: (i) ESG initiative participation (ii) Training and awareness programs (iii) Feedback mechanisms (iv) Innovation channels

(d) Communities via: (i) Local impact assessments (ii) Regular consultation forums (iii) Environmental monitoring reports (iv) Social investment programs

#### **4.5 Documentation and Reporting**

(a) The Company shall maintain: (i) Comprehensive ESG policy documentation (ii) Risk assessment records (iii) Audit findings and responses (iv) Stakeholder engagement logs (v) Board meeting minutes (vi) Training records (vii) Incident reports and resolutions

(b) Annual ESG reporting shall include: (i) Performance against targets (ii) Risk management outcomes (iii) Stakeholder feedback summary (iv) Compliance status updates (v) Forward-looking objectives

### **5.0 IMPLEMENTATION AND MONITORING**

#### **5.1 Key Performance Indicators**

The Company shall track and maintain comprehensive records of: (a) Environmental metrics (i) Carbon emissions, including Scope 1, 2, and 3 emissions (ii) Energy efficiency ratios across

all facilities (iii) Waste reduction percentages and recycling rates (iv) Water consumption and conservation metrics (v) Environmental incident frequency rates (b) Social metrics (i) Diversity statistics across all organizational levels (ii) Training hours per employee category (iii) Community impact assessments (iv) Employee satisfaction and retention rates (v) Workplace safety indicators (c) Governance metrics (i) ESG oversight activities and board engagement (ii) Risk assessment completion rates (iii) Audit findings and resolution rates (iv) Compliance violation incidents (v) Stakeholder engagement metrics

## **5.2 Reporting Framework**

Annual ESG reporting shall align with: (a) SASB Standards, including industry-specific metrics (b) TCFD Recommendations for climate-related disclosures (c) GRI Guidelines for comprehensive sustainability reporting (d) UN Sustainable Development Goals alignment metrics (e) EU Taxonomy requirements where applicable

## **5.3 Monitoring Procedures**

The Company shall implement: (a) Quarterly internal audits of ESG performance (b) Semi-annual third-party verification of key metrics (c) Monthly dashboard reviews by executive leadership (d) Real-time monitoring systems for critical indicators (e) Automated data collection and validation protocols

## **5.4 Continuous Improvement**

The Company shall: (a) Review this Framework annually, with interim assessments (b) Update policies based on: (i) Stakeholder feedback and concerns (ii) Emerging regulatory requirements (iii) Technological advancements (iv) Industry best practices (c) Benchmark against: (i) Industry peers and leaders (ii) International standards (iii) Regional performance indicators (d) Adapt to emerging ESG standards through: (i) Regular training and capability building (ii) Technology infrastructure updates (iii) Process optimization (iv) Stakeholder engagement enhancement

## **5.5 Compliance and Enforcement**

The Company shall: (a) Maintain detailed documentation of all monitoring activities (b) Establish clear accountability for ESG performance (c) Implement corrective action procedures (d) Report material deviations to relevant authorities (e) Integrate ESG metrics into performance evaluations

IN WITNESS WHEREOF, this Framework has been executed as of the Effective Date.