

## **ESG MATTERS DOCUMENT 33**

THIS ESG MATTERS DOCUMENT (this "Document") is made and entered into as of January 15, 2024 (the "Effective Date"), by NEXUS INDUSTRIAL INTELLIGENCE, INC., a Delaware corporation with its principal place of business at 2500 Innovation Drive, Wilmington, Delaware 19801 (the "Company").

WHEREAS, the Company develops and deploys artificial intelligence and machine learning solutions for industrial applications;

WHEREAS, the Company recognizes its responsibility to implement comprehensive environmental, social, and governance ("ESG") practices;

WHEREAS, the Company seeks to establish binding commitments regarding its ESG practices, particularly as they relate to AI ethics and industrial applications;

NOW, THEREFORE, the Company hereby adopts and implements the following ESG framework and commitments:

### **1.0 ESG POLICY STATEMENT AND GOVERNANCE FRAMEWORK**

#### **1.1 Mission Statement and Strategic Objectives**

The Company commits to developing and deploying industrial AI solutions that advance sustainability, promote social responsibility, and uphold the highest standards of corporate governance. The Company's strategic ESG objectives shall include:

- (a) Achieving carbon neutrality in AI operations by 2026, including: (i) Implementation of renewable energy sources for all data centers; (ii) Development of energy-efficient AI model architectures; (iii) Carbon offset programs for remaining emissions; (iv) Annual third-party verification of carbon metrics.
- (b) Implementing comprehensive AI ethics protocols across all product development, encompassing: (i) Mandatory bias testing and mitigation procedures; (ii) Regular algorithmic impact assessments; (iii) Transparent documentation of AI decision-making processes; (iv) Integration of ethical considerations in product design phases.
- (c) Maintaining diversity targets of 40% underrepresented groups in technical roles, supported by: (i) Structured recruitment and retention programs; (ii) Mentorship and professional development initiatives; (iii) Regular pay equity analyses; (iv) Inclusive workplace policies and practices.

(d) Establishing industry-leading data governance standards, including: (i) Enhanced data privacy protection measures; (ii) Robust cybersecurity protocols; (iii) Ethical data collection and usage guidelines; (iv) Regular compliance audits and assessments.

## **1.2 Board Oversight**

(a) The Board of Directors shall maintain ultimate oversight responsibility for ESG matters through its ESG and Technology Ethics Committee (the "Committee").

(b) The Committee shall meet quarterly and report directly to the full Board on ESG matters, including: (i) Progress towards strategic objectives; (ii) Emerging ESG risks and opportunities; (iii) Regulatory compliance status; (iv) Stakeholder engagement outcomes.

(c) The Board shall conduct annual reviews of: (i) ESG strategy alignment with business objectives; (ii) Resource allocation for ESG initiatives; (iii) ESG risk management effectiveness; (iv) Performance against established metrics.

## **1.3 ESG Committee Structure**

The Committee shall consist of: (i) At least one independent director with AI ethics expertise; (ii) The Chief AI Officer; (iii) The Chief Technology Officer; (iv) The VP of Sustainability; and (v) Two independent ESG advisors.

The Committee's responsibilities shall include: (a) Developing and reviewing ESG policies and procedures; (b) Monitoring implementation of ESG initiatives; (c) Evaluating ESG performance metrics; (d) Recommending strategic ESG adjustments; (e) Overseeing stakeholder communications on ESG matters.

## **1.4 Management Accountability**

(a) The Chief Executive Officer shall bear primary responsibility for ESG strategy execution and shall: (i) Report quarterly to the Board on ESG progress; (ii) Ensure adequate resources for ESG initiatives; (iii) Foster an ESG-conscious corporate culture; (iv) Represent the Company on ESG matters externally.

(b) Each member of senior management shall have ESG metrics incorporated into their performance evaluation and compensation structure, including: (i) Specific ESG targets within their functional areas; (ii) Regular progress assessments; (iii) ESG-linked compensation components; (iv) Personal accountability for ESG outcomes.

## **1.5 Implementation and Reporting**

(a) The Company shall maintain comprehensive ESG implementation procedures: (i) Detailed action plans for each strategic objective; (ii) Clear timelines and milestones; (iii) Resource allocation frameworks; (iv) Progress monitoring mechanisms.

(b) Regular reporting shall include: (i) Quarterly internal ESG performance reviews; (ii) Annual ESG impact assessments; (iii) Public ESG disclosures aligned with international standards; (iv) Stakeholder engagement reports.

(c) The Company shall engage independent third-party verification of: (i) ESG metrics and performance data; (ii) Compliance with stated policies; (iii) Progress towards strategic objectives; (iv) Effectiveness of governance mechanisms.

## **2.0 ENVIRONMENTAL IMPACT AND SUSTAINABILITY COMMITMENTS**

### **2.1 Carbon Footprint Reduction**

(a) The Company shall reduce its Scope 1 and 2 emissions by 50% by 2025 (against 2023 baseline), through: (i) Implementation of energy management systems compliant with ISO 50001; (ii) Annual third-party verification of emissions data; (iii) Quarterly progress reporting to the Board of Directors.

(b) AI training operations shall transition to 100% renewable energy by 2025, whereby: (i) Power Purchase Agreements (PPAs) shall be secured for all major computing facilities; (ii) On-site renewable generation shall be implemented where feasible; (iii) Renewable Energy Certificates (RECs) shall be procured only as a last resort.

(c) The Company shall establish a Carbon Offset Program that: (i) Prioritizes verified carbon removal projects; (ii) Maintains a portfolio of diverse offset mechanisms; (iii) Ensures additionality in all offset investments.

### **2.2 Data Center Standards**

(a) All Company-operated data centers shall maintain a Power Usage Effectiveness (PUE) ratio below 1.2, through: (i) Implementation of advanced cooling technologies; (ii) Regular efficiency audits conducted quarterly; (iii) Continuous monitoring and optimization systems.

(b) Water usage for cooling shall be reduced by 30% by 2025, including: (i) Implementation of closed-loop cooling systems; (ii) Rainwater harvesting where geographically feasible; (iii) Water usage effectiveness (WUE) monitoring and reporting.

(c) Data center infrastructure shall meet or exceed: (i) LEED Platinum certification requirements; (ii) ISO 14001 environmental management standards; (iii) EU Code of Conduct for Data Centre Energy Efficiency.

### **2.3 E-Waste Management**

The Company shall: (i) Recycle 100% of decommissioned hardware through certified e-waste processors; (ii) Require hardware vendors to meet circular economy standards, including: (A)

Minimum 30% recycled content in new equipment; (B) Design for disassembly and recycling; (C) Extended producer responsibility programs. (iii) Implement e-waste tracking systems that: (A) Monitor chain of custody; (B) Verify proper disposal methods; (C) Generate annual compliance reports.

## **2.4 Green Computing Initiatives**

- (a) AI model optimization shall prioritize energy efficiency through: (i) Mandatory energy consumption benchmarking; (ii) Implementation of automated model pruning; (iii) Use of energy-aware training algorithms; (iv) Regular efficiency audits of deployed models.
- (b) Edge computing deployment shall reduce data transfer energy consumption by 40% by: (i) Optimizing data compression protocols; (ii) Implementing intelligent caching mechanisms; (iii) Utilizing adaptive bandwidth allocation.
- (c) The Company shall establish a Green Computing Review Board that: (i) Evaluates new AI projects for environmental impact; (ii) Sets efficiency standards for model deployment; (iii) Reviews quarterly environmental performance metrics; (iv) Recommends technological improvements for sustainability.

## **2.5 Compliance and Reporting**

- (a) The Company shall: (i) Submit annual environmental impact reports to relevant authorities; (ii) Maintain transparent disclosure of environmental metrics; (iii) Engage independent auditors for verification of environmental claims; (iv) Participate in industry sustainability initiatives and standards development.
- (b) Non-compliance with these provisions shall result in: (i) Mandatory review by the Board of Directors; (ii) Implementation of corrective action plans; (iii) Potential adjustment of executive compensation metrics.

# **3.0 SOCIAL RESPONSIBILITY AND AI ETHICS**

## **3.1 AI Bias Prevention**

- (a) All AI models shall undergo comprehensive bias testing prior to deployment, including: (i) Statistical analysis of training data representation; (ii) Outcome testing across demographic groups; (iii) Adversarial testing for potential discriminatory patterns; (iv) Documentation of mitigation strategies implemented.
- (b) The Company shall maintain a Bias Review Board to evaluate high-risk applications, whereby: (i) The Board shall consist of at least seven members, including technical experts, ethicists, and community representatives; (ii) Quarterly reviews of all high-risk AI systems shall be conducted; (iii) Written reports detailing findings and recommendations shall be

submitted to executive leadership; (iv) Annual public disclosure of bias assessment methodologies and results.

(c) Mandatory bias training shall be provided to all AI development personnel: (i) Initial training within 30 days of employment; (ii) Annual refresher courses; (iii) Specialized training for specific AI applications.

### **3.2 Algorithmic Fairness**

(a) The Company shall implement the "Fairness by Design" protocol in all development, including: (i) Pre-development fairness impact assessments; (ii) Integration of fairness metrics in model optimization; (iii) Documentation of fairness trade-offs and decision rationale; (iv) Post-deployment fairness monitoring systems.

(b) Regular fairness audits shall be conducted by independent third parties: (i) Bi-annual comprehensive audits of all AI systems; (ii) Quarterly spot-checks of high-risk applications; (iii) Public disclosure of audit findings within 60 days; (iv) Remediation plans for identified issues within 30 days.

(c) Establishment of Fairness Metrics Framework: (i) Definition of application-specific fairness criteria; (ii) Implementation of multiple fairness measures; (iii) Regular calibration of fairness thresholds; (iv) Integration with performance metrics.

### **3.3 Workforce Diversity**

The Company commits to: (a) Achieving demographic representation targets: (i) 40% gender diversity in technical roles by 2025; (ii) 35% underrepresented minorities in leadership by 2025; (iii) 25% increase in neurodiversity representation by 2024.

(b) Implementing comprehensive diversity initiatives: (i) Structured mentorship programs; (ii) Targeted recruitment partnerships; (iii) Employee resource group funding; (iv) Leadership development programs.

(c) Ensuring equitable employment practices: (i) Annual pay equity analysis and remediation; (ii) Quarterly promotion rate analysis; (iii) Regular review of performance evaluation criteria; (iv) Transparent career advancement pathways.

### **3.4 Community Impact**

(a) The Company shall assess community impact of AI deployments through: (i) Pre-deployment community consultations; (ii) Regular stakeholder feedback sessions; (iii) Impact assessment reports; (iv) Quarterly community advisory board meetings.

(b) Resource allocation for community benefit: (i) 2% of annual revenue allocated to STEM education initiatives; (ii) Establishment of AI literacy programs; (iii) Support for local technology innovation hubs; (iv) Funding for AI ethics research.

### **3.5 Transparency and Accountability**

- (a) Public disclosure requirements: (i) Annual AI ethics report; (ii) Quarterly updates on diversity metrics; (iii) Regular stakeholder communications; (iv) Incident reporting protocol.
- (b) Governance structure: (i) Chief Ethics Officer appointment; (ii) Ethics Advisory Committee; (iii) Regular board oversight; (iv) Employee ethics reporting mechanism.

### **3.6 Implementation and Enforcement**

- (a) Compliance monitoring: (i) Regular internal audits; (ii) External verification; (iii) Performance metrics tracking; (iv) Corrective action procedures.
- (b) Enforcement mechanisms: (i) Clear violation consequences; (ii) Appeal procedures; (iii) Remediation requirements; (iv) Stakeholder grievance process.
- (c) Regular review and updates: (i) Annual policy review; (ii) Stakeholder feedback integration; (iii) Industry best practice alignment; (iv) Regulatory compliance verification.

## **4.0 DATA GOVERNANCE AND PRIVACY STANDARDS**

### **4.1 Data Collection and Usage**

- (a) All data collection shall adhere to the "Minimum Necessary" principle, whereby only data essential for the specified business purpose shall be collected, processed, or retained.
- (b) Client data usage shall be strictly limited to contracted purposes, with explicit documentation of: (i) Specific data elements collected; (ii) Processing purposes and legal bases; (iii) Retention periods and disposal protocols; (iv) Third-party access requirements.
- (c) The Company shall maintain a comprehensive Data Registry documenting: (i) Data sources and collection methods; (ii) Processing activities and purposes; (iii) Data flows and transfer mechanisms; (iv) Access controls and authorization levels.

### **4.2 Privacy Protection**

- (a) Privacy Impact Assessments (PIAs) shall be mandatory for: (i) New AI applications and systems; (ii) Significant modifications to existing processes; (iii) High-risk data processing activities; (iv) Cross-border data transfers.
- (b) Data anonymization protocols shall exceed GDPR requirements through: (i) Implementation of advanced encryption standards; (ii) Regular testing of anonymization effectiveness; (iii) Prohibition of re-identification attempts; (iv) Documentation of anonymization methodologies.

(c) Privacy by Design principles shall be implemented through: (i) Early-stage privacy considerations in system development; (ii) Default privacy-protective settings; (iii) End-to-end security measures; (iv) Regular privacy compliance audits.

#### **4.3 Cross-Border Data Transfer**

(a) The Company shall maintain compliance with EU data transfer requirements through: (i) Standard Contractual Clauses (SCCs); (ii) Binding Corporate Rules where applicable; (iii) Transfer Impact Assessments; (iv) Supplementary technical measures.

(b) Local data processing shall be implemented where required by law, including: (i) Data localization requirements; (ii) Regional processing restrictions; (iii) Country-specific data sovereignty rules; (iv) Sector-specific regulations.

(c) Cross-border transfer documentation shall include: (i) Transfer mechanism justification; (ii) Recipient country adequacy assessment; (iii) Technical and organizational measures; (iv) Regular compliance reviews.

#### **4.4 Industrial Data Security**

(a) Client data shall be segregated and encrypted at rest and in transit through: (i) AES-256 bit encryption minimum standard; (ii) Separate storage environments per client; (iii) Unique encryption keys per dataset; (iv) Regular key rotation protocols.

(b) Security audits shall be conducted quarterly, examining: (i) Access control effectiveness; (ii) Encryption implementation; (iii) Security incident response; (iv) Compliance with security standards.

(c) Industrial data protection measures shall include: (i) Multi-factor authentication for all access; (ii) Real-time monitoring and alerting; (iii) Regular penetration testing; (iv) Incident response protocols.

#### **4.5 Compliance and Reporting**

(a) The Company shall maintain: (i) Updated data protection policies; (ii) Regular compliance training programs; (iii) Incident response procedures; (iv) Documentation of compliance measures.

(b) Regular reporting shall include: (i) Quarterly compliance assessments; (ii) Annual privacy program reviews; (iii) Security incident reports; (iv) Data protection metrics.

#### **4.6 Vendor Management**

(a) Third-party vendors shall be subject to: (i) Pre-engagement privacy assessments; (ii) Regular security audits; (iii) Contractual data protection obligations; (iv) Ongoing compliance monitoring.

(b) Vendor contracts shall specify: (i) Data handling requirements; (ii) Security standards; (iii) Breach notification obligations; (iv) Audit rights and responsibilities.

## **5.0 REPORTING AND DISCLOSURE REQUIREMENTS**

### **5.1 ESG Metrics and KPIs**

The Company shall track and report: (i) Carbon emissions per AI computation hour, including direct infrastructure emissions and indirect supply chain impacts; (ii) Diversity metrics across all organizational levels, encompassing gender, ethnicity, age, and disability status; (iii) AI ethics incident rates and resolutions, including bias detection, algorithmic fairness measures, and remediation timelines; (iv) Client data privacy compliance metrics, including breach incidents, response times, and resolution rates; (v) Resource utilization efficiency, including energy consumption, water usage, and waste management metrics; (vi) Supply chain sustainability assessments and vendor ESG compliance rates.

### **5.2 Reporting Framework**

(a) ESG reports shall be published quarterly, containing: (1) Quantitative performance metrics against established targets; (2) Qualitative assessments of ESG initiatives and outcomes; (3) Progress updates on sustainability commitments; (4) Risk assessment and mitigation strategies.

(b) Annual comprehensive ESG impact assessment shall be conducted, incorporating: (1) Long-term trend analysis and performance evaluation; (2) Stakeholder feedback and engagement outcomes; (3) Industry benchmarking and best practice comparisons; (4) Forward-looking strategic recommendations.

### **5.3 Third-Party Verification**

Independent auditors shall verify: (i) Environmental impact metrics, including: (1) Greenhouse gas emissions calculations and methodologies; (2) Energy efficiency measurements and certifications; (3) Waste management and recycling programs; (4) Environmental compliance documentation.

(ii) AI ethics compliance, encompassing: (1) Algorithm fairness and bias testing protocols; (2) Ethics review board proceedings and decisions; (3) Training data validation procedures; (4) Incident response and remediation processes.

(iii) Diversity statistics, including: (1) Workforce composition analysis; (2) Pay equity assessments; (3) Promotion and retention rates; (4) Inclusion program effectiveness.

(iv) Data governance practices, covering: (1) Privacy protection mechanisms; (2) Security protocol adherence; (3) Compliance with international data regulations; (4) Data lifecycle management procedures.



## **5.4 Stakeholder Communication**

The Company shall maintain transparent communication through: (i) Quarterly ESG newsletters, featuring: (1) Performance highlights and challenges; (2) Initiative updates and milestone achievements; (3) Upcoming sustainability projects and goals; (4) Stakeholder engagement opportunities.

(ii) Annual stakeholder meetings, including: (1) Executive presentations on ESG strategy; (2) Interactive feedback sessions; (3) Expert panel discussions; (4) Community impact presentations.

(iii) Public ESG dashboard, displaying: (1) Real-time performance metrics; (2) Historical trend data; (3) Comparative industry benchmarks; (4) Progress towards stated goals.

## **5.5 Compliance and Review**

(a) The Company shall establish an ESG Oversight Committee responsible for: (1) Reviewing and approving all ESG reports; (2) Ensuring accuracy and completeness of disclosures; (3) Monitoring compliance with reporting requirements; (4) Recommending improvements to reporting processes.

(b) All reports and disclosures shall comply with: (1) Applicable securities regulations; (2) Industry standard frameworks; (3) International sustainability standards; (4) Corporate governance best practices.

## **EXHIBITS**

Exhibit A: ESG Metrics Calculation Methodology Exhibit B: AI Ethics Review Protocol  
Exhibit C: Data Governance Standards Exhibit D: Environmental Impact Assessment Framework

## **APPENDICES**

Appendix 1: ESG Committee Charter Appendix 2: AI Bias Testing Procedures Appendix 3: Privacy Impact Assessment Template

IN WITNESS WHEREOF, the Company has caused this Document to be executed as of the Effective Date.

NEXUS INDUSTRIAL INTELLIGENCE, INC.

By: \_\_\_\_\_ Name: Dr. Sarah Chen Title: Chief Executive Officer

By: \_\_\_\_\_ Name: James Wilson Title: Chief Financial Officer

ATTEST:

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Corporate Secretary