

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

**Effective Date: January 15, 2024**

**Document No.: ESG-2024-001**

WHEREAS, Nexus Industrial Intelligence, Inc., a Delaware corporation (hereinafter referred to as the "Company"), develops and deploys artificial intelligence and machine learning solutions for industrial applications;

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

WHEREAS, the Board of Directors (the "Board") 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 (this "Policy") as follows:

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

### **1.1 Mission Statement**

The Company commits to developing and deploying artificial intelligence solutions that optimize industrial processes while prioritizing environmental sustainability, social responsibility, and ethical governance. This commitment encompasses responsible innovation, environmental stewardship, and the advancement of sustainable industrial practices through technology. The Company shall pursue this mission through measurable objectives, transparent reporting, and continuous improvement of its ESG performance metrics in alignment with international sustainability frameworks and industry best practices.

### **1.2 Scope of ESG Program**

This Policy shall apply to all Company operations, including but not limited to: (a) Development and deployment of the NexusCore™ Industrial AI Platform; (b) Data center

operations and cloud computing infrastructure; (c) Client implementations and services delivery; (d) Internal corporate operations and facilities management; (e) Vendor and supplier relationships; (f) Research and development activities; (g) Marketing and communications initiatives; and (h) Strategic partnerships and joint ventures.

### **1.3 Governance Structure and Oversight**

The Board shall maintain ultimate oversight of ESG matters through its Environmental, Social and Governance Committee (the "ESG Committee"), which shall: (a) Meet quarterly to review ESG performance and initiatives; (b) Approve annual ESG objectives and targets; (c) Review and approve ESG disclosures and reports; (d) Ensure integration of ESG considerations into strategic planning; (e) Conduct annual assessments of ESG risk factors and mitigation strategies; (f) Oversee the implementation of ESG-related policies and procedures; (g) Review and approve material ESG investments and expenditures; and (h) Report ESG matters to the full Board on a quarterly basis.

### **1.4 Integration with Business Operations**

The Company shall integrate ESG considerations into: (a) Product development and innovation processes; (b) Risk assessment and management procedures; (c) Client engagement and implementation methodologies; (d) Employee training and development programs; (e) Performance evaluation and compensation frameworks; (f) Supply chain management and procurement decisions; (g) Facility operations and resource management; and (h) Stakeholder engagement strategies.

### **1.5 Compliance and Reporting Requirements**

The Company shall: (a) Maintain compliance with all applicable environmental and social regulations; (b) Publish annual ESG reports following recognized reporting frameworks; (c) Conduct regular third-party ESG audits and assessments; (d) Establish quantifiable ESG metrics and targets; (e) Monitor and report progress toward ESG objectives; (f) Maintain transparent communication with stakeholders regarding ESG matters; and (g) Participate in relevant ESG rating and assessment programs.

### **1.6 Review and Amendment**

This Policy shall be: (a) Reviewed annually by the ESG Committee; (b) Updated to reflect evolving ESG standards and practices; (c) Amended as necessary to address emerging ESG risks and opportunities; and (d) Communicated to all employees and relevant stakeholders upon any material modification.

## **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 and report Scope 1, 2, and material Scope 3 emissions annually, with such calculations to be independently verified by a qualified third-party auditor; (c) Implement continuous monitoring of data center energy consumption through advanced metering infrastructure (AMI) systems; (d) Maintain detailed records of all environmental impact measurements for a minimum period of seven (7) years; and (e) Submit quarterly progress reports to the Board of Directors detailing emissions reduction achievements and challenges.

### **2.2 Data Center Efficiency Standards**

All Company data center operations shall: (a) Maintain a Power Usage Effectiveness (PUE) ratio not exceeding 1.5, with a target reduction to 1.3 by 2025; (b) Utilize renewable energy sources for minimum 50% of power consumption, with annual increases of 5% until reaching 80%; (c) Implement best-in-class cooling and power management systems, including but not limited to: (i) Variable frequency drives (VFDs) for all cooling equipment; (ii) Hot/cold aisle containment systems; (iii) Free cooling technologies where climatically feasible; and (iv) Real-time power monitoring and optimization systems; (d) Undergo quarterly efficiency audits and optimization reviews conducted by certified data center energy practitioners; and (e) Maintain ISO 50001 energy management system certification for all facilities exceeding 1MW capacity.

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

The Company commits to: (a) Optimizing AI model training for energy efficiency through: (i) Implementation of automated model pruning techniques; (ii) Utilization of transfer learning where applicable; (iii) Application of efficient training algorithms; and (iv) Regular review and optimization of model architectures; (b) Implementing edge computing solutions to reduce data transfer energy consumption, including: (i) Local processing of non-critical data; (ii) Optimized data compression protocols; (iii) Smart caching mechanisms; and (iv) Distributed processing frameworks; (c) Utilizing efficient model architectures and processing algorithms, with mandatory efficiency reviews for models exceeding 100 million parameters; (d) Measuring and reporting the environmental impact of AI operations through: (i) Energy consumption per training cycle; (ii) Carbon emissions per inference operation; (iii) Data transfer energy costs; and (iv) Total computational efficiency metrics.

## **2.4 Hardware Deployment Standards**

For physical infrastructure deployment, the Company shall: (a) Utilize energy-efficient hardware components meeting or exceeding: (i) ENERGY STAR® certification requirements; (ii) EPEAT® Gold registration standards; (iii) EU EcoDesign Directive specifications; and (iv) Any applicable regional energy efficiency standards; (b) Implement proper electronic waste disposal procedures including: (i) Certified e-waste recycling partnerships; (ii) Component-level recycling programs; (iii) Secure data destruction protocols; and (iv) Documented chain of custody for all disposed equipment; (c) Maximize hardware lifespan through maintenance programs incorporating: (i) Preventive maintenance schedules; (ii) Component-level repair capabilities; (iii) Firmware and software optimization; and (iv) Regular performance monitoring and optimization; (d) Partner with environmentally responsible suppliers and manufacturers who: (i) Maintain ISO 14001 environmental management certification; (ii) Report scope 1, 2, and 3 emissions; (iii) Have science-based emissions reduction targets; and (iv) Demonstrate commitment to circular economy principles.

## **2.5 Compliance and Reporting**

The Company shall: (a) Submit annual sustainability reports following Global Reporting Initiative (GRI) Standards; (b) Maintain compliance with Sustainability Accounting Standards Board (SASB) Technology & Communications sector standards; (c) Participate in the CDP (formerly Carbon Disclosure Project) reporting program; and (d) Engage independent third-party verification of all environmental claims and metrics.

# **3.0 SOCIAL RESPONSIBILITY AND ETHICS**

## **3.1 AI Ethics Guidelines**

The Company shall adhere to the following AI ethics principles: (a) Transparency in AI decision-making processes, including: (i) Documentation of algorithmic decision pathways; (ii) Regular publication of AI system performance metrics; (iii) Clear communication of AI limitations and capabilities; and (iv) Establishment of an AI Ethics Review Board. (b) Fairness in algorithm design and implementation, ensuring: (i) Regular bias testing and mitigation procedures; (ii) Diverse representation in training data; (iii) Equal treatment across demographic groups; and (iv) Documentation of fairness metrics and thresholds. (c) Privacy protection in data collection and processing, comprising: (i) Data minimization principles; (ii) Anonymization protocols; (iii) Secure data storage requirements; and (iv) Clear consent mechanisms. (d) Human oversight of critical AI systems, including: (i) Designated human supervisors for each AI system; (ii) Emergency override protocols; (iii) Regular human review of AI decisions; and (iv) Documentation of human intervention instances. (e) Regular ethical impact assessments of AI applications, conducted: (i) Prior to deployment of new AI systems;

(ii) Following significant system updates; (iii) At scheduled intervals not exceeding six months; and (iv) Upon identification of potential ethical concerns.

### **3.2 Workforce Diversity and Inclusion**

The Company commits to: (a) Maintaining diverse representation at all organizational levels through: (i) Established diversity targets for each department; (ii) Quarterly diversity audits; (iii) Structured mentorship programs; and (iv) Leadership accountability metrics. (b) Implementing inclusive hiring and promotion practices, including: (i) Blind resume screening protocols; (ii) Diverse interview panels; (iii) Standardized promotion criteria; and (iv) Regular review of compensation equity. (c) Providing equal opportunity for advancement and development via: (i) Structured career development programs; (ii) Equal access to training resources; (iii) Regular skills assessment opportunities; and (iv) Transparent promotion pathways. (d) Conducting regular diversity training and education programs, comprising: (i) Mandatory quarterly training sessions; (ii) Unconscious bias workshops; (iii) Cultural competency education; and (iv) Inclusion awareness initiatives.

### **3.3 Data Privacy Standards**

The Company shall: (a) Comply with all applicable data protection regulations through: (i) Regular compliance audits; (ii) Updated privacy policies; (iii) Designated privacy officers; and (iv) Documentation of compliance measures. (b) Implement robust data security measures, including: (i) Multi-factor authentication protocols; (ii) Encryption standards; (iii) Access control systems; and (iv) Regular security testing. (c) Maintain transparent data collection and usage policies by: (i) Publishing detailed privacy notices; (ii) Obtaining explicit user consent; (iii) Providing data access mechanisms; and (iv) Regular policy updates. (d) Conduct regular privacy impact assessments: (i) Before implementing new data processing; (ii) Following significant system changes; (iii) At scheduled intervals; and (iv) Upon identification of privacy risks.

### **3.4 Community Engagement**

The Company shall: (a) Support STEM education initiatives in local communities through: (i) Educational partnerships with schools; (ii) Technology donation programs; (iii) Mentorship opportunities; and (iv) Coding workshops and camps. (b) Provide technology access to underserved populations via: (i) Digital literacy programs; (ii) Equipment donation initiatives; (iii) Internet access support; and (iv) Technical training resources. (c) Engage in responsible corporate citizenship activities, including: (i) Environmental sustainability programs; (ii) Local economic development initiatives; (iii) Volunteer programs; and (iv) Community advisory boards. (d) Measure and report on community impact metrics through: (i) Annual impact assessments; (ii) Community feedback mechanisms; (iii) Program effectiveness evaluations; and (iv) Public reporting of outcomes.

### **3.5 Implementation and Enforcement**

The Company shall: (a) Establish oversight committees for each major initiative; (b) Conduct regular audits of compliance and effectiveness; (c) Maintain detailed documentation of all programs and outcomes; (d) Provide regular reports to the Board of Directors; and (e) Review and update these provisions annually.

## **4.0 CORPORATE GOVERNANCE AND COMPLIANCE**

### **4.1 Board ESG Committee**

The ESG Committee shall: (a) Comprise at least three (3) independent directors, as defined under Delaware General Corporation Law §141(a), who meet independence requirements established by applicable securities regulations; (b) Meet quarterly with additional meetings as needed, maintaining detailed minutes of all proceedings in accordance with corporate record-keeping requirements; (c) Review and approve all material ESG initiatives, including capital expenditures exceeding \$500,000 related to environmental or social programs; (d) Report to the full Board on ESG matters quarterly, including comprehensive risk assessments and progress against established metrics; (e) Maintain direct oversight of the Chief Sustainability Officer and ESG implementation team; and (f) Conduct annual self-evaluations of Committee effectiveness and composition.

### **4.2 Risk Management**

The Company shall: (a) Maintain comprehensive ESG risk assessment procedures, including: (i) Quarterly review of environmental compliance and permits; (ii) Semi-annual supply chain sustainability audits; (iii) Annual human rights impact assessments; (iv) Ongoing monitoring of regulatory changes in relevant jurisdictions; (b) Integrate ESG factors into enterprise risk management through: (i) Incorporation of ESG metrics in executive compensation; (ii) Regular stress testing of climate-related scenarios; (iii) Assessment of transition risks related to low-carbon economy; (c) Conduct annual ESG risk reviews encompassing: (i) Physical climate risks to facilities and operations; (ii) Regulatory compliance and potential exposure; (iii) Reputational risks and stakeholder concerns; (iv) Supply chain sustainability and resilience; (d) Implement appropriate risk mitigation measures, including: (i) Insurance coverage for climate-related events; (ii) Contingency planning for environmental incidents; (iii) Supplier diversification strategies.

### **4.3 Stakeholder Engagement**

The Company commits to: (a) Regular engagement with key stakeholders through: (i) Quarterly investor ESG updates; (ii) Semi-annual community forums; (iii) Annual supplier sustainability summits; (b) Transparent communication of ESG initiatives via: (i) Dedicated ESG section on corporate website; (ii) Regular social media updates; (iii) Press releases for

material developments; (c) Annual stakeholder surveys and feedback collection, including: (i) Employee engagement assessments; (ii) Customer sustainability preferences; (iii) Community impact evaluations; (d) Integration of stakeholder input into ESG strategy through: (i) Formal feedback mechanisms; (ii) Stakeholder advisory panels; (iii) Regular materiality assessments.

#### **4.4 Reporting Requirements**

The Company shall: (a) Publish annual ESG reports following GRI Standards, including: (i) Comprehensive performance metrics; (ii) Progress against established targets; (iii) Forward-looking commitments; (b) Maintain compliance with SASB reporting frameworks through: (i) Industry-specific metrics; (ii) Financial materiality assessments; (iii) Data verification protocols; (c) Provide quarterly ESG updates to stakeholders covering: (i) Key performance indicators; (ii) Material developments; (iii) Regulatory compliance status; (d) Ensure accuracy and completeness of all ESG disclosures through: (i) Third-party assurance of reported data; (ii) Internal audit reviews; (iii) Board-level verification procedures.

### **5.0 IMPLEMENTATION AND MONITORING**

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

The Company shall track and report on: (a) Environmental performance metrics, including but not limited to: (i) Carbon emissions and greenhouse gas inventory; (ii) Energy consumption and efficiency ratios; (iii) Waste management and recycling rates; (iv) Water usage and conservation metrics; (b) Social impact indicators, encompassing: (i) Employee diversity and inclusion statistics; (ii) Workplace safety incident rates; (iii) Community engagement hours; (iv) Supply chain labor compliance metrics; (c) Governance effectiveness measures, including: (i) Board composition and independence ratios; (ii) Ethics violation reports and resolutions; (iii) Regulatory compliance rates; (iv) Stakeholder engagement frequency; and (d) Implementation progress metrics, measuring: (i) Policy adoption rates across divisions; (ii) Training completion percentages; (iii) Audit findings and resolution times; (iv) Resource allocation effectiveness.

#### **5.2 Monitoring Procedures**

The Company shall: (a) Conduct quarterly ESG performance reviews through: (i) Department-level assessments; (ii) Cross-functional team evaluations; (iii) External auditor verification; (b) Maintain continuous monitoring systems by: (i) Implementing automated data collection tools; (ii) Establishing real-time reporting dashboards; (iii) Conducting monthly compliance checks; (c) Implement corrective actions as needed through: (i) Root cause analysis protocols; (ii) Action plan development; (iii) Implementation timeline tracking; (d) Report significant deviations to the ESG Committee within: (i) 24 hours for critical violations; (ii) 72 hours for material concerns; (iii) 5 business days for minor issues.

### **5.3 Annual Review Process**

This Policy shall be: (a) Reviewed annually by the ESG Committee through: (i) Comprehensive performance analysis; (ii) Stakeholder feedback evaluation; (iii) Industry benchmark comparison; (b) Updated to reflect changing conditions and requirements via: (i) Regulatory landscape assessment; (ii) Best practice incorporation; (iii) Risk framework adaptation; (c) Approved by the Board following review, including: (i) Committee recommendations; (ii) Implementation impact analysis; (iii) Resource requirement assessment; (d) Communicated to all stakeholders upon revision through: (i) Corporate communication channels; (ii) Training and awareness programs; (iii) Documentation updates and distribution.

### **5.4 Compliance Documentation**

The Company shall maintain detailed records of all implementation and monitoring activities, including but not limited to performance data, review findings, corrective actions, and stakeholder communications, for a minimum period of seven (7) years from the date of creation.