

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

Effective Date: January 15, 2024

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 operate in an environmentally and socially sustainable manner while maintaining the highest standards of corporate governance;

WHEREAS, the Company seeks to establish comprehensive environmental, social, and governance ("ESG") standards aligned with its technological capabilities and industry leadership position;

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

1.0 ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY STATEMENT

1.1 Policy Scope and Application

This Policy shall apply to all operations, subsidiaries, and controlled affiliates of the Company globally. The Policy establishes binding commitments and standards for environmental stewardship, social responsibility, and corporate governance, with particular emphasis on artificial intelligence ethics and industrial sustainability. All employees, contractors, and business partners conducting activities on behalf of the Company must adhere to these standards. The Policy supersedes all previous versions and shall be reviewed annually by the Board of Directors to ensure continued relevance and effectiveness.

1.2 ESG Governance Structure

The Board of Directors shall maintain ultimate oversight of ESG matters through its ESG Committee, chaired by an independent director. The Chief Executive Officer shall be responsible for Policy implementation, supported by the ESG Steering Committee comprising senior executives from Operations, Technology, Legal, and Human Resources departments. The ESG Steering Committee shall meet quarterly to review performance metrics, assess compliance, and recommend strategic adjustments. Department heads shall submit monthly

ESG compliance reports detailing progress against established targets and any material deviations from Policy requirements.

1.3 AI Ethics Framework

The Company commits to developing and deploying artificial intelligence systems that: (a) Respect human rights and dignity through proactive impact assessments and stakeholder consultation; (b) Promote transparency and explainability by maintaining comprehensive documentation of AI decision-making processes; (c) Ensure fairness and non-discrimination through regular algorithmic bias testing and correction; (d) Maintain robust security and privacy protections aligned with international data protection standards; and (e) Advance environmental sustainability objectives through energy-efficient computing practices.

The Company shall establish an AI Ethics Review Board to evaluate all AI deployments against these principles and maintain a public registry of AI use cases and their corresponding ethical assessments.

1.4 Environmental Impact Management

The Company shall systematically assess and mitigate environmental impacts through: (a) Regular environmental audits conducted by certified third-party assessors; (b) Implementation of energy-efficient technologies with documented reduction targets; (c) Sustainable resource management including water conservation and waste reduction programs; and (d) Integration of environmental considerations into product development lifecycle.

1.5 Reporting and Disclosure Requirements

The Company shall: (a) Publish annual ESG performance reports following Global Reporting Initiative (GRI) standards; (b) Maintain transparent stakeholder communications regarding ESG initiatives; (c) Participate in recognized ESG rating frameworks and assessments; (d) Disclose climate-related risks aligned with TCFD recommendations; and (e) Report material ESG incidents to relevant authorities within prescribed timeframes.

1.6 Compliance and Enforcement

Non-compliance with this Policy may result in disciplinary action, up to and including termination of employment or business relationships. The Company shall maintain confidential reporting channels for ESG-related concerns and protect whistleblowers from retaliation. The Legal Department shall conduct periodic compliance reviews and update procedures as necessary to reflect evolving ESG standards and regulatory requirements.

2.0 ENVIRONMENTAL STANDARDS AND COMMITMENTS

2.1 Carbon Footprint Reduction Targets

The Company hereby establishes the following emissions reduction targets: (a) 50% reduction in Scope 1 and 2 emissions by 2030 (baseline year 2024), with interim targets of 20% reduction by 2026 and 35% reduction by 2028; (b) Net-zero operations by 2040, including all subsidiary operations and contracted services; (c) Annual reporting of progress toward these targets, including: (i) Detailed emissions inventory across all operational categories; (ii) Documentation of reduction initiatives and their effectiveness; (iii) Third-party verification of emissions data; (iv) Disclosure of methodology and calculation procedures. (d) Implementation of a carbon pricing mechanism for internal decision-making, starting at \$50 per metric ton CO₂e, increasing annually by 7%; (e) Development and maintenance of a comprehensive carbon management plan, updated biennially.

2.2 Energy Efficiency Measures

The Company shall implement: (a) Energy-efficient algorithms and computing processes, including: (i) Mandatory efficiency testing for all new AI models; (ii) Implementation of model compression techniques; (iii) Optimization of training procedures to minimize energy consumption; (iv) Regular review and retirement of inefficient models; (b) Regular energy audits of facilities and operations, comprising: (i) Monthly consumption analysis; (ii) Peak load management strategies; (iii) Equipment efficiency assessments; (iv) Thermal optimization reviews; (c) Renewable energy procurement targets of 75% by 2030, including: (i) Direct power purchase agreements (PPAs); (ii) On-site renewable generation where feasible; (iii) Renewable Energy Certificate (REC) procurement; (iv) Battery storage implementation plans; (d) Energy management systems meeting ISO 50001 standards, with: (i) Continuous monitoring and optimization; (ii) Staff training and awareness programs; (iii) Regular system audits and updates; (iv) Documentation of energy performance improvements.

2.3 Data Center Sustainability

All Company data centers shall: (a) Achieve Power Usage Effectiveness (PUE) of 1.2 or better, through: (i) Advanced cooling system optimization; (ii) Airflow management improvements; (iii) Equipment layout optimization; (iv) Heat recovery systems implementation; (b) Utilize 100% renewable energy by 2028, including: (i) On-site solar and wind generation where feasible; (ii) Grid-scale renewable energy contracts; (iii) Backup power systems using sustainable technologies; (iv) Energy storage solutions; (c) Implement water conservation measures, including: (i) Closed-loop cooling systems; (ii) Water usage effectiveness (WUE) monitoring; (iii) Rainwater harvesting systems; (iv) Drought-resistant landscaping; (d) Meet or exceed LEED Gold certification standards, with: (i) Regular certification renewal; (ii)

Continuous improvement programs; (iii) Sustainable materials usage; (iv) Waste reduction initiatives.

2.4 Environmental Monitoring Protocols

The Company shall maintain: (a) Continuous monitoring of environmental performance metrics through: (i) Real-time data collection systems; (ii) Automated alert mechanisms; (iii) Performance dashboard maintenance; (iv) Regular calibration of monitoring equipment; (b) Quarterly environmental impact assessments covering: (i) Resource consumption patterns; (ii) Waste generation and disposal; (iii) Local environmental impacts; (iv) Biodiversity considerations; (c) Annual third-party environmental audits, including: (i) Compliance verification; (ii) Performance against targets; (iii) Risk assessment and mitigation; (iv) Improvement recommendations; (d) Public disclosure of environmental performance data through: (i) Annual sustainability reports; (ii) Regular stakeholder updates; (iii) Online performance dashboards; (iv) Regulatory filings as required.

2.5 Compliance and Reporting Requirements

The Company shall: (a) Submit quarterly progress reports to the Board of Directors; (b) Maintain all environmental certifications and permits; (c) Participate in relevant environmental disclosure programs; (d) Update environmental policies and procedures annually.

3.0 SOCIAL RESPONSIBILITY FRAMEWORK

3.1 Workforce Development

The Company commits to: (a) Annual investment in employee training and development, including: (i) Technical skills advancement programs; (ii) Leadership development initiatives; (iii) Cross-functional training opportunities; (iv) Industry certification support; (b) Promotion of diversity, equity, and inclusion through: (i) Structured recruitment practices; (ii) Mentorship programs; (iii) Employee resource groups; (iv) Regular bias awareness training; (c) Fair compensation and benefits programs, encompassing: (i) Regular market-rate assessments; (ii) Performance-based incentives; (iii) Comprehensive healthcare coverage; (iv) Retirement planning support; (d) Regular workforce satisfaction assessments, including: (i) Quarterly engagement surveys; (ii) Exit interviews; (iii) Performance reviews; (iv) Career development tracking.

3.2 AI Safety Standards

The Company shall maintain: (a) Rigorous testing protocols for AI systems, including: (i) Pre-deployment validation procedures; (ii) Continuous monitoring systems; (iii) Performance benchmarking; (iv) Ethics compliance verification; (b) Regular safety audits and assessments, comprising: (i) Monthly system evaluations; (ii) Third-party verification; (iii) Risk assessment

matrices; (iv) Compliance documentation; (c) Comprehensive documentation of safety measures, including: (i) Standard operating procedures; (ii) Emergency response protocols; (iii) System architecture documentation; (iv) Change management records; (d) Incident response and reporting procedures, detailing: (i) Immediate action protocols; (ii) Investigation procedures; (iii) Corrective action implementation; (iv) Stakeholder communication plans.

3.3 Community Impact Assessment

The Company shall: (a) Conduct regular stakeholder engagement through: (i) Quarterly community forums; (ii) Local government liaison; (iii) Industry partnership programs; (iv) Public consultation processes; (b) Assess community impacts of operations, including: (i) Environmental impact studies; (ii) Economic benefit analysis; (iii) Social impact evaluations; (iv) Infrastructure assessment; (c) Maintain community investment programs, comprising: (i) Educational initiatives; (ii) Local business support; (iii) Environmental stewardship; (iv) Cultural preservation efforts; (d) Report annually on social impact metrics, including: (i) Employment statistics; (ii) Community program outcomes; (iii) Environmental performance; (iv) Economic contribution data.

3.4 Data Privacy Protection

The Company shall implement: (a) Privacy-by-design principles through: (i) System architecture reviews; (ii) Data minimization protocols; (iii) Security-first development; (iv) Privacy impact analysis; (b) Regular privacy impact assessments, including: (i) Data flow mapping; (ii) Risk identification; (iii) Mitigation strategies; (iv) Compliance verification; (c) Data protection training programs, comprising: (i) Annual employee certification; (ii) Role-specific training; (iii) Incident response drills; (iv) Policy awareness sessions; (d) Compliance with global privacy standards through: (i) Regular policy updates; (ii) International regulation monitoring; (iii) Cross-border data protocols; (iv) Documentation maintenance.

4.0 GOVERNANCE AND COMPLIANCE

4.1 ESG Committee Structure

The ESG Committee shall: (a) Meet quarterly at minimum, with additional meetings convened as necessary upon request of the Committee Chair or any two Committee members; (b) Review ESG performance metrics, including but not limited to environmental impact assessments, social responsibility initiatives, and governance effectiveness measures; (c) Approve ESG strategies and policies, ensuring alignment with corporate objectives and stakeholder expectations; (d) Report to the Board of Directors bi-annually on ESG performance, risks, and strategic initiatives; (e) Maintain a composition of at least five members, including: (i) One independent director as Committee Chair; (ii) Chief Sustainability Officer; (iii) Chief Risk Officer; (iv) Chief Compliance Officer; (v) One external ESG expert

advisor. (f) Document all proceedings through formal minutes, maintained by the Committee Secretary; (g) Establish specialized sub-committees as needed for specific ESG initiatives or challenges.

4.2 Risk Management Framework

The Company shall maintain: (a) Comprehensive ESG risk assessment protocols, including: (i) Quarterly risk assessments of environmental impact; (ii) Social responsibility risk evaluations; (iii) Governance structure effectiveness reviews; (iv) Technology-specific risk assessments related to AI deployment; (b) Regular risk monitoring and reporting through: (i) Automated risk tracking systems; (ii) Real-time risk dashboards; (iii) Monthly risk status reports; (iv) Quarterly risk trend analyses; (c) Integration of ESG risks into enterprise risk management, encompassing: (i) Risk categorization and prioritization; (ii) Risk mitigation strategy development; (iii) Resource allocation for risk management; (iv) Cross-functional risk coordination; (d) Crisis management procedures, including: (i) Emergency response protocols; (ii) Stakeholder communication plans; (iii) Business continuity measures; (iv) Post-crisis recovery strategies.

4.3 Compliance Monitoring

The Company shall: (a) Maintain compliance monitoring systems that: (i) Track regulatory requirements across all jurisdictions; (ii) Monitor internal policy adherence; (iii) Assess vendor and partner compliance; (iv) Document compliance activities; (b) Conduct regular compliance audits: (i) Internal audits quarterly; (ii) External audits annually; (iii) Spot checks as needed; (iv) Supply chain compliance reviews; (c) Report violations promptly through: (i) Established reporting channels; (ii) Anonymous whistleblower systems; (iii) Regular compliance updates; (iv) Mandatory incident reports; (d) Implement corrective actions including: (i) Root cause analysis; (ii) Remediation planning; (iii) Implementation tracking; (iv) Effectiveness verification.

4.4 Reporting Requirements

The Company shall: (a) Publish annual ESG reports containing: (i) Quantitative performance metrics; (ii) Qualitative assessments; (iii) Progress against targets; (iv) Future commitments and goals; (b) Maintain transparent stakeholder communications through: (i) Regular stakeholder updates; (ii) Dedicated ESG communication channels; (iii) Public consultation processes; (iv) Stakeholder engagement events; (c) Disclose material ESG matters including: (i) Environmental impacts and initiatives; (ii) Social responsibility programs; (iii) Governance structure changes; (iv) Risk management updates; (d) Respond to stakeholder inquiries: (i) Within 48 hours for urgent matters; (ii) Within 5 business days for routine inquiries; (iii) Through designated response teams; (iv) With documented follow-up procedures.

4.5 Enforcement and Accountability

The Company shall: (a) Establish clear accountability measures for ESG compliance; (b) Implement consequences for non-compliance; (c) Maintain performance tracking systems; (d) Conduct regular performance reviews; (e) Link ESG performance to compensation structures; (f) Provide regular training and updates on ESG requirements; (g) Document all enforcement actions and outcomes.

5.0 IMPLEMENTATION AND MONITORING

5.1 Performance Metrics

The Company shall track and report: (a) Environmental performance indicators, including but not limited to: (i) Carbon emissions (Scope 1, 2, and 3); (ii) Energy consumption and efficiency metrics; (iii) Waste management and recycling rates; (iv) Water usage and conservation measures; (v) Environmental incident rates and remediation efforts. (b) Social impact metrics, encompassing: (i) Workforce diversity and inclusion statistics; (ii) Employee health and safety indicators; (iii) Community engagement measurements; (iv) Human rights compliance metrics; (v) Supply chain labor standards adherence. (c) Governance effectiveness measures, including: (i) Board composition and diversity metrics; (ii) Executive compensation alignment; (iii) Shareholder voting patterns; (iv) Risk management effectiveness; (v) Compliance violation tracking. (d) AI ethics compliance metrics, comprising: (i) Algorithm bias assessments; (ii) Data privacy compliance rates; (iii) AI system transparency scores; (iv) Ethical decision-making accuracy; (v) User feedback implementation rates.

5.2 Audit Procedures

Regular audits shall include: (a) Internal ESG audits quarterly, consisting of: (i) Department-level compliance reviews; (ii) Documentation completeness assessments; (iii) Performance metric verification; (iv) Implementation effectiveness evaluation. (b) External ESG audits annually, conducted by: (i) Certified third-party auditors; (ii) Independent assessment bodies; (iii) Specialized ESG consulting firms. (c) Specialized AI ethics assessments, incorporating: (i) Algorithm fairness testing; (ii) Bias detection protocols; (iii) Ethics framework compliance review; (iv) Risk assessment validation. (d) Stakeholder feedback reviews, including: (i) Systematic feedback analysis; (ii) Response effectiveness evaluation; (iii) Implementation tracking.

5.3 Stakeholder Feedback Mechanisms

The Company shall maintain: (a) Regular stakeholder surveys, administered: (i) Quarterly for employees; (ii) Semi-annually for customers; (iii) Annually for community members; (iv) Bi-annually for investors. (b) Grievance reporting systems, featuring: (i) Anonymous reporting channels; (ii) Multi-language accessibility; (iii) 24/7 availability; (iv) Protected whistleblower

mechanisms. (c) Stakeholder engagement platforms, including: (i) Digital feedback portals; (ii) Community forums; (iii) Advisory panels; (iv) Direct communication channels. (d) Response protocols for concerns, comprising: (i) Acknowledgment within 24 hours; (ii) Investigation procedures; (iii) Resolution timeframes; (iv) Appeals processes.

5.4 Continuous Improvement Process

The Company commits to: (a) Regular policy reviews and updates through: (i) Quarterly policy assessments; (ii) Annual comprehensive reviews; (iii) Emergency revision procedures; (iv) Stakeholder input integration. (b) Implementation of best practices via: (i) Industry benchmark analysis; (ii) Peer performance comparison; (iii) Innovation monitoring; (iv) Adaptation protocols. (c) Stakeholder-driven improvements through: (i) Feedback analysis systems; (ii) Implementation tracking; (iii) Impact assessment; (iv) Performance validation. (d) Innovation in ESG practices by: (i) Research and development initiatives; (ii) Pilot program implementation; (iii) Technology integration; (iv) Performance optimization protocols.