

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY STATEMENT AND FRAMEWORK

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 conduct business operations 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") policies and procedures that align with its business objectives and stakeholder interests;

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

1.0 ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY STATEMENT

1.1 Purpose and Scope

This Policy establishes the Company's comprehensive framework for managing environmental, social, and governance matters across all business operations, subsidiaries, and controlled affiliates. The Policy applies to all employees, officers, directors, contractors, and agents acting on behalf of the Company. This includes remote workers, temporary staff, consultants, and third-party vendors who interact with Company systems or data. The geographical scope encompasses all jurisdictions where the Company maintains operations or provides services.

1.2 Core Principles

The Company commits to: (a) Developing and deploying AI solutions in an environmentally responsible manner, including optimization of computing resources, energy-efficient data centers, and carbon footprint reduction initiatives; (b) Upholding the highest standards of ethical AI development and implementation, including bias detection, algorithmic fairness, and transparent decision-making processes; (c) Protecting customer data privacy and security through state-of-the-art encryption, access controls, and compliance with international data

protection regulations; (d) Promoting diversity, equity, and inclusion throughout the organization, including recruitment, advancement, and leadership development programs; (e) Maintaining transparent and accountable corporate governance practices, including regular stakeholder engagement and public disclosure of ESG metrics.

1.3 Strategic Integration

The Company shall integrate ESG considerations into: (a) Product development and deployment decisions, including environmental impact assessments and ethical review processes; (b) Operational planning and execution, incorporating sustainability targets and social responsibility metrics; (c) Risk assessment and management processes, with particular attention to emerging ESG-related risks; (d) Performance evaluation and incentive structures, linking executive compensation to ESG objectives; (e) Stakeholder communications and reporting, including annual sustainability reports and quarterly updates.

1.4 Governance Oversight

The Board of Directors shall maintain ultimate oversight of ESG matters through its ESG Committee, as detailed in Section 4.0 of this Policy. The Committee shall: (a) Meet quarterly to review ESG performance and strategic initiatives; (b) Approve annual ESG targets and monitoring frameworks; (c) Review and validate ESG disclosures and communications; (d) Ensure alignment between ESG objectives and corporate strategy.

1.5 Implementation Requirements

The Company shall: (a) Establish quantifiable ESG metrics and targets aligned with international standards; (b) Conduct annual ESG audits and assessments; (c) Maintain dedicated ESG personnel and resources; (d) Provide regular ESG training and awareness programs; (e) Develop crisis management protocols for ESG-related incidents; (f) Engage with stakeholders through formal consultation processes.

1.6 Compliance and Review

This Policy shall be: (a) Reviewed annually by the ESG Committee; (b) Updated to reflect evolving ESG standards and requirements; (c) Enforced through appropriate monitoring and compliance mechanisms; (d) Supported by detailed implementation procedures and guidelines; (e) Subject to independent third-party verification as appropriate.

1.7 Reporting and Disclosure

The Company commits to transparent reporting of ESG performance through: (a) Annual sustainability reports following GRI Standards; (b) Climate-related disclosures aligned with TCFD recommendations; (c) Regular updates to stakeholders on ESG initiatives and progress; (d) Prompt disclosure of material ESG incidents or developments.

2.0 ENVIRONMENTAL IMPACT AND SUSTAINABILITY

2.1 Carbon Footprint Management

2.1.1 Measurement Methodology

The Company shall measure its carbon footprint in accordance with the Greenhouse Gas Protocol Corporate Standard, including: (a) Scope 1 emissions from direct operations, encompassing all Company-owned or controlled sources of greenhouse gas emissions, including but not limited to: (i) On-site fuel combustion; (ii) Company vehicle fleet operations; (iii) Fugitive emissions from cooling systems; (b) Scope 2 emissions from purchased electricity, including: (i) Location-based calculations using grid emission factors; (ii) Market-based calculations accounting for renewable energy purchases; (iii) District heating and cooling systems; (c) Scope 3 emissions from cloud computing and data center operations, including: (i) Third-party data center energy consumption; (ii) Employee business travel and commuting; (iii) Upstream and downstream value chain activities.

2.1.2 Reduction Targets

The Company commits to: (a) Reducing Scope 1 and 2 emissions by 50% by 2030 (baseline year 2024), through: (i) Implementation of energy efficiency measures; (ii) Transition to renewable energy sources; (iii) Fleet electrification program; (b) Achieving net-zero emissions across all scopes by 2040, including: (i) Direct emissions elimination where technologically feasible; (ii) Investment in verified carbon offset projects; (iii) Supply chain engagement and vendor requirements.

2.2 Energy Efficiency

2.2.1 AI Operations

The Company shall: (a) Implement energy-efficient AI model training practices, including: (i) Use of transfer learning techniques; (ii) Implementation of model compression methods; (iii) Scheduling of training during off-peak energy periods; (b) Optimize algorithm design for reduced computational intensity through: (i) Regular code efficiency audits; (ii) Implementation of lightweight model architectures; (iii) Use of automated optimization tools; (c) Monitor and report energy consumption metrics for AI operations, including: (i) Performance per watt measurements; (ii) Training energy consumption benchmarks; (iii) Monthly efficiency improvement tracking.

2.2.2 Data Center Standards

All Company-utilized data centers must: (a) Maintain Power Usage Effectiveness (PUE) ratio below 1.5 through: (i) Implementation of free cooling systems; (ii) Hot/cold aisle containment; (iii) Regular efficiency audits; (b) Source minimum 75% renewable energy by 2025, demonstrated by: (i) Power Purchase Agreements (PPAs); (ii) Renewable Energy Certificates

(RECs); (iii) On-site generation where feasible; (c) Implement water conservation best practices, including: (i) Closed-loop cooling systems; (ii) Water usage effectiveness (WUE) monitoring; (iii) Annual water reduction targets.

2.3 Environmental Reporting

The Company shall: (a) Publish annual sustainability reports following GRI Standards, including: (i) Comprehensive emissions inventory; (ii) Progress against reduction targets; (iii) Environmental risk assessment; (b) Participate in CDP climate change disclosure through: (i) Annual submission of detailed climate data; (ii) Third-party verification of emissions data; (iii) Public disclosure of climate strategy; (c) Maintain ISO 14001 environmental management certification by: (i) Regular internal and external audits; (ii) Continuous improvement of environmental management system; (iii) Employee environmental training programs.

2.4 Compliance and Verification

The Company shall: (a) Engage independent third-party verifiers to: (i) Audit emissions calculations annually; (ii) Verify environmental performance metrics; (iii) Validate reduction achievements; (b) Maintain detailed documentation of: (i) Emission calculation methodologies; (ii) Energy consumption data; (iii) Environmental performance indicators; (c) Report violations or non-compliance to: (i) Board Environmental Committee; (ii) Relevant regulatory authorities; (iii) Affected stakeholders.

3.0 SOCIAL RESPONSIBILITY AND ETHICS

3.1 AI Ethics Guidelines

3.1.1 Development Principles

All AI development shall adhere to: (a) Transparency in algorithmic decision-making, including: (i) Documentation of model architecture and parameters; (ii) Clear disclosure of AI system limitations; (iii) Regular publication of bias assessment reports; (iv) Maintenance of decision audit trails. (b) Fairness and bias mitigation protocols, encompassing: (i) Pre-deployment testing across demographic groups; (ii) Continuous monitoring of outcome disparities; (iii) Quarterly bias remediation reviews; (iv) Implementation of fairness metrics and thresholds. (c) Human oversight of critical systems, requiring: (i) Designated human supervisors for each AI system; (ii) Mandatory human review of high-impact decisions; (iii) Emergency override capabilities; (iv) Regular system control audits. (d) Regular ethical impact assessments, including: (i) Quarterly reviews of societal implications; (ii) Stakeholder consultation processes; (iii) Documentation of mitigation strategies; (iv) Public reporting of assessment findings.

3.1.2 Implementation Standards

The Company shall: (a) Maintain an AI Ethics Review Board that: (i) Meets monthly to review development practices; (ii) Includes external ethics experts; (iii) Has veto power over high-risk deployments; (iv) Reports directly to the Board of Directors. (b) Document all model training datasets and methodologies, including: (i) Data source verification; (ii) Bias testing protocols; (iii) Version control procedures; (iv) Data lineage tracking. (c) Implement explainability features in customer-facing AI systems, ensuring: (i) Plain language explanations of decisions; (ii) Access to decision factors; (iii) Appeal mechanisms; (iv) Regular usability testing.

3.2 Workforce Diversity and Inclusion

3.2.1 Commitments

The Company commits to: (a) Achieving 40% gender diversity in technical roles by 2026 through: (i) Targeted recruitment initiatives; (ii) STEM education partnerships; (iii) Retention programs; (iv) Leadership development pathways. (b) Increasing underrepresented minorities in leadership to 30% by 2026 via: (i) Executive sponsorship programs; (ii) Succession planning requirements; (iii) Management training initiatives; (iv) Regular progress monitoring. (c) Maintaining pay equity across all demographic groups by: (i) Quarterly compensation reviews; (ii) Standardized promotion criteria; (iii) Transparent salary bands; (iv) Third-party equity audits.

3.2.2 Programs

The Company shall implement: (a) Structured mentorship programs, including: (i) Cross-functional pairings; (ii) Quarterly progress reviews; (iii) Success metrics tracking; (iv) Program effectiveness evaluations. (b) Inclusive hiring practices, requiring: (i) Diverse interview panels; (ii) Standardized assessment criteria; (iii) Bias awareness training; (iv) Regular process audits. (c) Regular diversity training for all employees, covering: (i) Unconscious bias awareness; (ii) Cultural competency; (iii) Inclusive leadership; (iv) Allyship principles.

3.3 Data Protection and Privacy

The Company shall: (a) Maintain ISO 27001 certification through: (i) Annual compliance audits; (ii) Regular staff training; (iii) Documentation updates; (iv) Security incident response protocols. (b) Implement GDPR-compliant data handling practices, including: (i) Data minimization principles; (ii) Purpose limitation controls; (iii) Consent management systems; (iv) Cross-border transfer safeguards. (c) Conduct regular privacy impact assessments, comprising: (i) Quarterly risk evaluations; (ii) Stakeholder consultations; (iii) Mitigation strategy development; (iv) Implementation monitoring. (d) Provide transparent data usage policies to customers, detailing: (i) Data collection purposes; (ii) Processing activities; (iii) Third-party sharing protocols; (iv) Data retention schedules.

3.4 Enforcement and Compliance

The Company shall: (a) Establish monitoring mechanisms for all commitments; (b) Report progress quarterly to the Board of Directors; (c) Engage independent auditors for annual reviews; (d) Implement corrective actions within 30 days of identified deficiencies.

4.0 GOVERNANCE STRUCTURE AND OVERSIGHT

4.1 ESG Committee

4.1.1 Composition

The ESG Committee shall consist of: (a) At least three independent directors, with demonstrated expertise in environmental, social, or governance matters; (b) Chief Sustainability Officer, serving as Committee Secretary; (c) Chief AI Ethics Officer, responsible for technological impact assessment; (d) General Counsel, providing legal oversight and compliance guidance; (e) Such other members as the Board may appoint from time to time, not to exceed seven members in total.

4.1.2 Responsibilities

The Committee shall: (a) Review and approve ESG strategies and policies, including: (i) Five-year sustainability roadmaps; (ii) Carbon reduction targets and implementation plans; (iii) Social impact initiatives and metrics; (iv) Governance framework updates; (b) Monitor ESG performance and compliance through: (i) Monthly performance dashboard reviews; (ii) Quarterly progress assessments; (iii) Annual comprehensive evaluations; (c) Report quarterly to the Board of Directors on: (i) Key performance indicators; (ii) Material ESG risks and opportunities; (iii) Stakeholder engagement outcomes; (d) Oversee stakeholder communications regarding ESG matters; (e) Review and approve ESG-related disclosures in public documents.

4.1.3 Meeting Requirements

The Committee shall: (a) Meet at least quarterly, with additional meetings as necessary; (b) Maintain detailed minutes of all proceedings; (c) Require a quorum of two-thirds of members for decision-making; (d) Make decisions by majority vote, with the Chair holding a casting vote.

4.2 Risk Management

4.2.1 ESG Risk Assessment

The Company shall: (a) Conduct annual ESG risk assessments, including: (i) Physical climate risks; (ii) Transition risks; (iii) Social impact risks; (iv) Governance and compliance risks; (b) Maintain risk registers with mitigation plans, updated quarterly; (c) Review emerging ESG

risks quarterly, incorporating: (i) Industry trends analysis; (ii) Regulatory landscape changes; (iii) Stakeholder feedback; (d) Develop and maintain crisis management protocols for ESG-related incidents.

4.2.2 Compliance Monitoring

The Compliance Department shall: (a) Monitor regulatory requirements across all jurisdictions of operation; (b) Conduct regular compliance audits, including: (i) Quarterly internal reviews; (ii) Annual third-party assessments; (iii) Ad-hoc investigations as needed; (c) Report violations to the ESG Committee within: (i) 24 hours for critical violations; (ii) 72 hours for significant violations; (iii) 5 business days for minor violations; (d) Maintain a comprehensive compliance tracking system.

4.2.3 Reporting and Documentation

The Company shall: (a) Maintain detailed records of all ESG-related decisions and actions; (b) Prepare annual ESG reports for public disclosure; (c) Document all material ESG incidents and resolution measures; (d) Archive all ESG-related documentation for a minimum of seven years.

4.2.4 Training and Capacity Building

The Company shall: (a) Provide annual ESG training for all Committee members; (b) Ensure regular updates on emerging ESG trends and regulations; (c) Maintain a knowledge management system for ESG best practices; (d) Facilitate professional development in ESG competencies.

5.0 IMPLEMENTATION AND MONITORING

5.1 Key Performance Indicators

5.1.1 Environmental KPIs

(a) Energy consumption per AI computation, measured in kilowatt-hours per training cycle and inference operation (b) Data center PUE metrics, with quarterly benchmarking against industry standards (c) Carbon emissions by scope, including direct operations, purchased electricity, and value chain impacts (d) Water usage effectiveness (WUE) for cooling systems (e) Renewable energy utilization percentage (f) E-waste recycling and disposal metrics

5.1.2 Social KPIs

(a) Workforce diversity metrics across all organizational levels and AI development teams (b) AI ethics compliance rates, including bias detection and mitigation statistics (c) Customer privacy incident rates and resolution timeframes (d) Employee training completion rates on ESG policies (e) Community engagement and AI education initiative metrics (f) Supplier ESG compliance scores

5.2 Monitoring and Reporting

5.2.1 Internal Monitoring

The Company shall: (a) Conduct quarterly ESG performance reviews, including: (i) Department-level compliance assessments (ii) AI model fairness evaluations (iii) Resource utilization analysis (iv) Incident response effectiveness reviews (b) Maintain automated KPI tracking systems that: (i) Provide real-time performance dashboards (ii) Generate automated alerts for metric deviations (iii) Interface with AI development platforms (iv) Archive historical performance data (c) Perform annual policy compliance audits covering: (i) Documentation completeness (ii) Process adherence (iii) Control effectiveness (iv) Risk assessment accuracy

5.2.2 External Reporting

The Company shall: (a) Publish annual ESG reports containing: (i) Detailed performance metrics (ii) Progress against targets (iii) Incident disclosures (iv) Forward-looking commitments (b) Maintain stakeholder communication channels through: (i) Quarterly investor briefings (ii) Monthly community forums (iii) Dedicated ESG portal (iv) Social media updates

5.3 Compliance and Verification

5.3.1 Third-Party Verification

The Company shall engage qualified independent parties to: (a) Verify environmental data accuracy (b) Assess AI ethics implementation (c) Review privacy protection measures (d) Validate ESG reporting integrity

5.3.2 Continuous Improvement

The Company shall: (a) Review and update KPIs annually (b) Incorporate stakeholder feedback (c) Benchmark against industry leaders (d) Adapt to emerging ESG standards

5.4 Governance and Oversight

5.4.1 ESG Committee

The Board shall maintain an ESG Committee responsible for: (a) Policy oversight and updates (b) Performance target setting (c) Risk assessment and mitigation (d) Stakeholder engagement strategy

5.4.2 Management Responsibilities

The executive team shall: (a) Allocate necessary resources (b) Ensure departmental compliance (c) Review performance regularly (d) Address identified gaps

5.5 Enforcement and Remediation

5.5.1 Non-Compliance Procedures

The Company shall: (a) Document violations promptly (b) Implement corrective actions (c) Update controls as needed (d) Report material breaches

5.5.2 Continuous Monitoring

The Company shall maintain: (a) Real-time compliance dashboards (b) Automated alert systems (c) Regular compliance testing (d) Incident response protocols

This Implementation and Monitoring framework shall be reviewed and updated annually to ensure continued effectiveness and alignment with Company objectives and regulatory requirements.