

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY AND PROCEDURES

Effective Date: January 15, 2024

PREAMBLE

WHEREAS, Nexus Industrial Intelligence, Inc., a Delaware corporation (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 (the "Board") has determined it is in the Company's best interests to establish comprehensive environmental, social, and governance ("ESG") policies and procedures;

NOW, THEREFORE, the Company hereby adopts the following ESG Policy and Procedures (this "Policy"):

1.0 ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY STATEMENT

1.1 Scope and Applicability

This Policy applies to all operations, employees, contractors, and business partners of the Company globally. The provisions herein shall govern the Company's approach to environmental stewardship, social responsibility, and corporate governance in connection with its development and deployment of artificial intelligence and machine learning solutions. This Policy establishes binding obligations and shall be reviewed annually to ensure continued effectiveness and relevance to evolving ESG standards and technological advancement.

1.2 ESG Governance Structure

(a) The Board shall maintain ultimate oversight of ESG matters through its ESG Committee (the "Committee"), which shall meet quarterly and report directly to the full Board.

(b) The Chief Executive Officer shall appoint an ESG Officer responsible for day-to-day implementation of this Policy, who shall: (i) Develop and maintain ESG metrics and reporting

frameworks (ii) Coordinate cross-functional ESG initiatives (iii) Present quarterly progress reports to the Committee (iv) Ensure proper documentation of ESG compliance efforts

(c) Department heads shall integrate ESG considerations into their operational decision-making and maintain departmental ESG compliance protocols.

1.3 Regulatory Compliance Framework

The Company shall comply with all applicable ESG-related laws, regulations, and standards, including but not limited to:

(a) SEC disclosure requirements regarding climate-related risks and ESG materiality assessments (b) SASB standards for Technology & Communications sector (c) GDPR and other applicable data privacy regulations (d) Industry standards for responsible AI development (e) UN Sustainable Development Goals (SDGs) (f) Task Force on Climate-related Financial Disclosures (TCFD) recommendations (g) ISO 14001 Environmental Management Systems standards (h) ISO 26000 Social Responsibility guidelines

1.4 Integration with Business Operations

ESG principles shall be incorporated into:

(a) Product development and deployment processes, including: (i) Environmental impact assessments (ii) Ethical AI guidelines implementation (iii) Sustainability performance metrics (iv) Carbon footprint reduction targets

(b) Vendor and supplier relationships through: (i) ESG screening criteria (ii) Sustainable procurement guidelines (iii) Regular compliance audits (iv) Performance monitoring protocols

(c) Customer engagement practices, encompassing: (i) Transparent ESG reporting (ii) Responsible product usage guidelines (iii) Stakeholder feedback mechanisms (iv) Environmental impact disclosures

(d) Internal operations and facilities management, including: (i) Energy efficiency programs (ii) Waste reduction initiatives (iii) Employee wellness programs (iv) Diversity and inclusion policies (v) Sustainable workplace practices

1.5 Monitoring and Enforcement

The Company shall maintain robust monitoring systems to ensure Policy compliance, including:

(a) Regular internal audits (b) Third-party verification processes (c) Incident reporting mechanisms (d) Corrective action procedures (e) Annual performance reviews (f) Stakeholder engagement assessments

Non-compliance with this Policy may result in disciplinary action, up to and including termination of employment or business relationships.

2.0 ENVIRONMENTAL IMPACT AND SUSTAINABILITY

2.1 Carbon Footprint Management

(a) The Company shall measure and monitor the carbon footprint of its computing infrastructure, including: (i) Data center operations, encompassing both owned and leased facilities (ii) Edge computing devices and distributed computing networks (iii) Development and testing environments (iv) Network infrastructure and transmission systems (v) Employee workstations and remote computing resources

(b) Annual carbon reduction targets shall be established and reviewed by the Committee, with: (i) Minimum reduction targets of 5% year-over-year (ii) Quarterly progress assessments and adjustment mechanisms (iii) Implementation of carbon offset programs where reduction targets cannot be met (iv) Independent verification of carbon calculations and reduction achievements

(c) The Company shall maintain a comprehensive carbon inventory system that: (i) Adheres to ISO 14064 standards for greenhouse gas accounting (ii) Includes both direct (Scope 1) and indirect (Scope 2 and 3) emissions (iii) Documents all calculation methodologies and assumptions (iv) Undergoes annual third-party verification

2.2 Energy Efficiency Protocols

(a) All computing resources shall implement energy optimization techniques including: (i) Dynamic resource allocation with real-time monitoring (ii) Workload scheduling optimization using AI-driven predictive analytics (iii) Hardware power management with automated scaling (iv) Virtual machine consolidation and container optimization (v) Network traffic optimization and routing efficiency

(b) The Company shall maintain energy efficiency metrics for all computing operations, including: (i) Power Usage Effectiveness (PUE) measurements (ii) Energy Reuse Factor (ERF) calculations (iii) Carbon Usage Effectiveness (CUE) monitoring (iv) Water Usage Effectiveness (WUE) tracking (v) Real-time energy consumption dashboards

(c) Energy efficiency requirements shall be incorporated into: (i) Procurement policies for all computing equipment (ii) Vendor selection criteria and contracts (iii) Service level agreements with cloud providers (iv) Employee performance metrics where applicable

2.3 Sustainable Data Center Practices

(a) The Company shall: (i) Prioritize renewable energy sources for data centers, with minimum 80% renewable energy usage (ii) Implement water conservation measures using closed-loop cooling systems (iii) Optimize cooling system efficiency through AI-controlled temperature management (iv) Minimize e-waste through responsible equipment lifecycle management (v) Implement heat recycling and energy recovery systems

(b) Data center design and operation shall incorporate: (i) LEED certification requirements for new facilities (ii) ISO 50001 energy management standards (iii) Best practices for airflow management and thermal optimization (iv) Modular design principles for scalable efficiency (v) Smart grid integration capabilities

(c) Equipment lifecycle management shall include: (i) Minimum efficiency standards for all hardware (ii) Regular maintenance and optimization schedules (iii) Responsible disposal and recycling protocols (iv) Documentation of equipment environmental impact

2.4 Environmental Monitoring and Reporting

(a) Quarterly environmental impact assessments shall be conducted, including: (i) Energy consumption analysis and trending (ii) Carbon emissions calculations and verification (iii) Water usage and conservation metrics (iv) Waste management effectiveness evaluation (v) Compliance with environmental regulations and standards

(b) Annual sustainability reports shall be published, containing: (i) Detailed environmental performance metrics (ii) Progress against reduction targets (iii) Initiative outcomes and effectiveness (iv) Future environmental strategies and commitments (v) Independent audit results and certifications

(c) Environmental metrics shall be integrated into: (i) Real-time performance dashboards (ii) Executive compensation calculations (iii) Vendor evaluation criteria (iv) Public disclosure documents (v) Regulatory compliance reports

(d) The Company shall maintain: (i) Environmental management system certification (ISO 14001) (ii) Regular stakeholder engagement on environmental matters (iii) Environmental incident response procedures (iv) Continuous improvement programs for environmental performance (v) Documentation of all environmental initiatives and outcomes

3.0 SOCIAL RESPONSIBILITY AND AI ETHICS

3.1 AI Bias Prevention

(a) The Company shall maintain robust protocols for: (i) Dataset bias detection and mitigation through comprehensive statistical analysis and demographic representation assessment (ii) Algorithm fairness testing utilizing industry-standard methodologies and third-party validation (iii) Regular bias audits of deployed systems, conducted at minimum quarterly intervals (iv) Documentation of remediation efforts for identified biases (v) Implementation of diverse training datasets that reflect varied demographic characteristics

(b) Documentation of bias prevention measures shall be maintained for all AI models, including: (i) Detailed records of training data composition and sources (ii) Mathematical fairness metrics and their temporal evolution (iii) Bias incident reports and corresponding

corrective actions (iv) Annual bias impact assessments and mitigation strategies (v) External audit findings and compliance certifications

3.2 Workforce Impact Considerations

(a) The Company shall implement comprehensive workforce protection measures: (i) Conduct bi-annual assessments of potential workforce displacement impacts (ii) Develop and maintain reskilling and transition support programs, including: - Technical skills development courses - Career counseling services - Job placement assistance - Financial transition support (iii) Engage with affected stakeholders through structured consultation processes (iv) Monitor and report on workforce impacts through standardized metrics (v) Establish an Employee Transition Advisory Board

(b) The Company shall maintain a Workforce Impact Fund, allocated as follows: (i) Minimum 2% of annual AI-related revenue dedicated to employee support programs (ii) Quarterly review of fund allocation and effectiveness (iii) Annual public reporting of fund utilization and outcomes

3.3 Data Privacy and Protection

(a) Comprehensive data protection measures shall include: (i) Privacy-by-design principles implemented throughout the development lifecycle (ii) Data minimization practices enforced through technical controls (iii) Robust security controls, including: - End-to-end encryption - Access control mechanisms - Data anonymization protocols - Regular security audits (iv) Regular privacy impact assessments conducted by qualified personnel

(b) The Company shall establish a Data Protection Framework incorporating: (i) Clear data retention and deletion policies (ii) Transparent data processing documentation (iii) Regular employee training on data protection (iv) Incident response procedures (v) Cross-border data transfer protocols

3.4 Stakeholder Engagement

(a) The Company shall maintain ongoing dialogue with: (i) Employees and labor representatives through: - Quarterly town hall meetings - Employee feedback channels - Union consultation processes (ii) Customers and end-users via: - Regular feedback surveys - User experience studies - Product advisory panels (iii) Local communities through: - Community impact assessments - Public consultation sessions - Local advisory boards (iv) Industry partners via: - Collaborative research initiatives - Best practice sharing forums - Industry standards development

3.5 Ethical AI Governance

- (a) The Company shall establish an AI Ethics Committee responsible for: (i) Developing and updating ethical AI guidelines (ii) Reviewing high-risk AI applications (iii) Monitoring compliance with ethical standards (iv) Providing recommendations to senior management
- (b) The Ethics Committee shall: (i) Meet at minimum monthly intervals (ii) Include diverse representation from technical and non-technical backgrounds (iii) Publish annual ethics compliance reports (iv) Maintain independence in decision-making

3.6 Transparency and Accountability

- (a) The Company shall maintain transparency through: (i) Regular public reporting on AI impact metrics (ii) Clear communication of AI system capabilities and limitations (iii) Accessible documentation of AI decision-making processes (iv) Open dialogue with regulatory bodies
- (b) Accountability measures shall include: (i) Clear lines of responsibility for AI system outcomes (ii) Regular internal audits of AI systems (iii) Established grievance mechanisms (iv) Remediation protocols for adverse impacts

4.0 GOVERNANCE AND RISK MANAGEMENT

4.1 Board Oversight

- (a) The Committee shall: (i) Review ESG strategy quarterly, including assessment of implementation progress, resource allocation, and strategic alignment with corporate objectives (ii) Approve major ESG initiatives exceeding \$500,000 in expenditure or significantly impacting operations (iii) Monitor ESG performance against established key performance indicators (KPIs) (iv) Report to full Board bi-annually on ESG progress, challenges, and strategic recommendations (v) Establish and maintain an ESG governance framework that defines roles, responsibilities, and decision-making authorities (vi) Review and approve ESG-related policies, procedures, and guidelines annually
- (b) The Committee shall maintain: (i) A dedicated ESG subcommittee comprising at least three independent directors (ii) Regular engagement with external ESG advisors and subject matter experts (iii) Documentation of all material ESG-related decisions and their rationale (iv) Direct oversight of the ESG Officer and related functional teams

4.2 Risk Assessment

- (a) Regular ESG risk assessments shall address: (i) Climate-related risks, including physical risks to facilities and transition risks related to regulatory changes (ii) Social impact risks, including labor practices, community relations, and human rights considerations (iii)

Governance risks, including board composition, executive compensation, and shareholder rights (iv) Emerging regulatory risks, particularly regarding environmental regulations and reporting requirements (v) Supply chain sustainability risks and vendor ESG compliance (vi) Reputational risks associated with ESG performance and stakeholder expectations

(b) Risk assessment procedures shall include: (i) Quarterly risk review meetings with department heads (ii) Annual comprehensive risk mapping exercise (iii) Scenario analysis for major identified risks (iv) Integration with enterprise risk management systems

4.3 Compliance Monitoring

(a) The ESG Officer shall: (i) Maintain compliance tracking systems for all applicable ESG regulations and standards (ii) Conduct regular audits of ESG practices and performance metrics (iii) Report violations promptly to the Committee and relevant authorities (iv) Oversee remediation efforts for identified non-compliance issues (v) Develop and maintain an ESG compliance calendar (vi) Coordinate with legal counsel on regulatory interpretations

(b) Compliance monitoring shall encompass: (i) Environmental permits and certifications (ii) Social responsibility commitments (iii) Corporate governance requirements (iv) Industry-specific ESG standards (v) International ESG frameworks and protocols

4.4 Disclosure Requirements

(a) The Company shall provide: (i) Quarterly ESG metrics through standardized reporting templates (ii) Annual ESG report aligned with recognized reporting frameworks (iii) Event-driven disclosures as required by regulatory bodies (iv) Regulatory filings as applicable under securities laws (v) Stakeholder-specific ESG communications (vi) Supply chain ESG performance reports

(b) Disclosure procedures shall include: (i) Internal verification of all ESG data prior to publication (ii) External assurance of material ESG metrics (iii) Legal review of all public ESG statements (iv) Alignment with industry best practices (v) Regular stakeholder feedback mechanisms (vi) Documentation of methodology and assumptions

(c) The Company shall maintain: (i) A public ESG disclosure policy (ii) Clear protocols for ESG data collection and validation (iii) An ESG communications strategy (iv) A system for tracking and responding to ESG-related inquiries (v) Regular updates to ESG disclosure controls and procedures

5.0 IMPLEMENTATION AND MONITORING

5.1 Key Performance Indicators

(a) Environmental KPIs: (i) Carbon emissions per computing unit, measured quarterly against baseline (ii) Energy efficiency metrics, including PUE and DCiE calculations (iii) Waste

reduction targets, with specific focus on e-waste management (iv) Water usage effectiveness in cooling systems (v) Renewable energy utilization percentage

(b) Social KPIs: (i) AI bias incidents, including severity classification and resolution time (ii) Workforce impact metrics, incorporating skills transition data (iii) Stakeholder engagement levels, measured through standardized indices (iv) Community impact assessments, conducted semi-annually (v) Digital inclusion metrics and accessibility compliance rates

(c) Governance KPIs: (i) ESG policy compliance rate, verified through internal audits (ii) Risk assessment completion and remediation tracking (iii) Disclosure timeliness and accuracy measurements (iv) Board oversight effectiveness scores (v) Ethical AI deployment compliance metrics

5.2 Implementation Timeline

(a) The Company shall implement this Policy according to the schedule in Exhibit A, with quarterly milestones subject to Committee review.

(b) Implementation phases shall be coordinated across departments with designated accountability officers.

(c) Contingency provisions shall be maintained for critical path dependencies.

5.3 Resource Allocation

(a) The Committee shall approve annual ESG budgets and resources, including: (i) Technical infrastructure investments (ii) Personnel training and development (iii) External consultation services (iv) Monitoring and reporting systems (v) Compliance management tools

(b) Resource allocation shall be reviewed bi-annually and adjusted based on implementation progress and emerging requirements.

5.4 Progress Reporting

(a) Quarterly progress reports shall be provided to the Committee, containing: (i) KPI performance analysis (ii) Variance explanations (iii) Risk mitigation updates (iv) Resource utilization metrics (v) Stakeholder feedback summaries

(b) Annual comprehensive reviews shall be conducted, including: (i) External audit findings (ii) Policy effectiveness assessment (iii) Strategic alignment evaluation (iv) Future recommendations (v) Compliance verification statements

5.5 Continuous Improvement

(a) The Policy shall be subject to annual review and enhancement based on: (i) Implementation feedback (ii) Technological advancements (iii) Regulatory changes (iv) Stakeholder input (v) Industry best practices