



The Objective

To procure quality precious metals in the most cost-effective manner and satisfy the Sovereign Metals Limited requirements on a timely basis, consistent with company objectives while maintaining the highest ethical standards.

Introduction

Sovereign Metals Limited (SML) was incorporated in 2017 with an object to refine and produce Precious metals and mineral SML strives to carry out its business in most profitable manner while abiding by all the laws and policies. SML ensures that the precious metal procured come from legal, ethical sources, and that they have not been associated with crime, armed conflict or human rights abuse. It is our endeavor to do business only with legitimate, law-abiding customers, and to deny our products and services to all others.

At SML we require all of our employees and business partners to comply with our Policies. Our business partners are Miners and Metal traders who are expected to comply with the same values that we apply to ourselves.

Risk assessment, evaluation, risk monitoring and control are at the core of our business culture. Our Commitment is to:

- Combat systematic or widespread abuses of human rights.
- Exclude any direct or indirect support to non-state armed groups and/or illegally acting public or private security forces.
- Avoid any contributions to conflict.
- Comply with high standards of anti-money laundering (AML). Combat the financing of terrorism (CFT).
- Avoid bribery and fraudulent misrepresentation of the origin of precious metals. Conform with all relevant United Nations sanctions resolutions and domestic laws.

All our commitments are achieved by the application, maintenance and continuous improvement of systems, processes and procedures.

SML is aware of the dangers of inadvertently getting involved in or contributing to illegal practices which may be connected to the extraction, trading, handling and exporting of minerals from any area but more specifically from conflict-affected and high-risk areas.

Sovereign Metals Limited

Director



Our Policy

SML would like to maintain the highest level of ethics in Purchasing and deal with our suppliers on a uniform basis.

SML will not condone, facilitate or support money laundering. It will support efforts, or take steps, to contribute to the effective elimination of money laundering where Sovereign identifies a reasonable risk of money- laundering resulting from, or connected to, the extraction, trade, handling, transport or export of minerals derived from the illegal taxation or extortion of minerals at points of access to mine sites, along transportation routes or at points where minerals are traded by upstream suppliers. Accordingly, no dealing in cash, no direct deposit of cash in our account is accepted, only NEFT or specified mode of payment will be accepted.

SML ensures that all taxes, fees, and royalties related to mineral extraction, trade and export from conflict- affected and high-risk areas are paid to governments and, in accordance with the company's position in the supply chain, we commit to disclose such payments as and when required under various guidelines/ initiatives.

SML Policy mandates to take undertaking that delivered material does not have any encumbrance under any law and that the producer or seller has clear title to the material.

SML shall give prime consideration to the company's interests while seeking to maintain and further long-term, mutually profitable, ethical supplier relationships.

Definitions:

- AML-CFT: Anti-money laundering – combating the financing of terrorism.
- Contribution To Conflict: Contribution to armed aggression between two or more parties which leads to human rights abuses. The parties in the conflict may include government, militia, organized criminals or terrorist groups.
- Money Laundering: Money laundering is the practice of disguising the origins of illegally obtained money. Ultimately, it is the process by which the proceeds of crime are made to appear legitimate. The money involved can be generated by any number of criminal acts, including drug dealing, corruption and other types of fraud. The methods by which money may be laundered are varied and can range in sophistication from simple to complex.
- Gold Origin: The origin of Mined Gold is where the mine is located. The origin of recyclable gold is considered to be the point in the gold supply chain where the gold is delivered to the Refiner.
- Gold-Supplying Counterparty: A gold supplier that is directly engaged with a gold refinery including its holding, subsidiary and affiliated entities.
- Human Rights: For the purpose of this Guidance, human rights are those defined in the International Bill of Human Rights. The Bill includes the Universal Declaration of Human Rights (1948), the International Covenant on Economic, Social and Cultural Rights (1966), the International Covenant on Civil and Political Rights (1966), as well as its two Optional Protocols
- Mined Gold: Gold that originates from mines (large-scale, medium-scale or artisanal/small scales mines) and has never been previously refined. This term means any gold or gold-bearing material produced by or at a mine, in any form, shape and concentration, until it is fully refined (995 or greater), fabricated into a gold refinery product (e.g. bar, grain) and sold.



- **Recycled Gold:** Gold that received back from the consumer as a scrap of old gold jeweler, scrap from the manufacturer and or as a industrial waste or by product from the other metal refining process.
- **Politically Exposed Persons (Peps):** Foreign PEPs are individuals who are or have been entrusted with prominent public functions by a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials. Domestic PEPs are individuals who are or have been entrusted domestically with prominent public functions, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state- owned corporations, important political party officials. Persons who are or have been entrusted with a prominent function by an international organization refers to members of senior management, i.e. directors, deputy directors and members of the board or equivalent functions. The definition of PEPs is not intended to cover middle-ranking or more junior individuals in the foregoing categories.

Detailed Procedure and understanding:

Mined Gold : Mined gold refers to gold that is extracted from the earth through mining processes.

Here's a more detailed explanation:

- **Mining:** Gold is extracted from the earth through various methods, including open-pit mining, underground mining, and placer mining. This process involves drilling, blasting, and removing the ore from the ground.
- **Ore Processing:** After extraction, the gold-bearing ore is transported to a processing plant where it undergoes crushing, grinding, and chemical treatment to extract the gold from the ore and gold Dore bar is created, which is easy to transport and handle.
- **Supply Chain Partner:** will ensures smooth transfer of origin to our aggregator without by passing any local and law like payment of duty taxes, royalties and ensure that at no point gold is contaminated by armed forces or noncompliant gold processing companies. Supply chain partners

SML Commitment for Ethical Sourcing:

- A. While sourcing from, or operating in, conflict-affected and high-risk areas, we will neither tolerate nor by any means profit from, contribute to, assist with or facilitate the commission by any party of:
 - Any forms of torture, cruel, inhuman and degrading treatment;
 - Any forms of forced or compulsory labour, which means work or service which is exacted from any person under the menace of penalty and for which said person has not offered himself voluntarily;
 - The worst forms of child labour;
 - Other gross human rights violations and abuses such as widespread sexual violence;
 - War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.
- B. We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party committing serious abuses as defined herein above.
- C. We will not tolerate any direct or indirect support to non-state armed groups through the extraction, transport, trade, handling or export of minerals. "Direct or indirect support" to non-state armed groups through the extraction, transport, trade, handling or export of minerals includes, but is not limited to, procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to, non-state armed groups or their affiliates who:



- Illegally control mine sites or otherwise control transportation routes, points where minerals are traded and upstream actors in the supply chain; and/or
 - Illegally tax or extort money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded; and/or
 - Illegally tax or extort intermediaries, export companies or international traders.
- D. We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party providing direct or indirect support to non- state armed groups as defined herein above.
- E. SML agree to eliminate, direct or indirect support to public or private security forces who illegally control mine sites, transportation routes and upstream actors in the supply chain; illegally tax or extort money or minerals
- F. at point of access to mine sites, along transportation routes or at points where minerals are traded; or illegally tax or extort intermediaries, export companies or international traders.
- G. SML recognizes that the role of public or private security forces at the mine sites and/or surrounding areas and/or along transportation routes should be solely to maintain the rule of law, including safeguarding human rights, providing security to mine workers, equipment and facilities, and protecting the mine site or transportation routes from interference with legitimate extraction and trade.
- H. Where we or any company in our supply chain contract public or private security forces hires security force, we commit to or we will require that such security forces will be engaged in accordance with the Voluntary Principles on Security and Human Rights. In particular, we will support or take steps, to adopt screening policies to ensure that individuals or units of security forces that are known to have been responsible for gross human rights abuses will not be hired.
- I. We refuse to source precious metals from illegal mining operations, as well as from any counterparties which do not comply with local and international laws and/or internationally accepted environmental standards and practices.
- J. We refrain from any action which might contribute to the financing of conflict and conform with all relevant
- K. United Nations sanctions resolutions or, where applicable, domestic laws implementing such resolutions.
- L. We commit to exclusively work with the world's leading high security transportation and logistics companies adhering to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict- Affected and High-Risk Areas and its Supplement on Gold.

DUE DILIGENCE

SML has adopted strong due diligence policy in line with the OECD Guidelines and LBMA Responsible Gold Guidance. SML shall ensure that the metals procured are not sourced from any High Risk or Conflict affected area and no human right has been violated while mining the metal.

In this regard we have taken the following steps:

- Rigorous KYC process in order to ensure that the customers/ vendors have a clean background.
- Monitoring transactions



- Maintaining records of our clients as well as the transactions.

At SML we comply with our procurement policy with the help of a dedicated operations team which checks all the new parties and the transactions with them. When faced with any discrepancy, doubt or risk with regard to any client/ vendor or transaction the same is reported to the higher management team for further action.

SML takes a calculative business risk but our tolerance to AML- CFT related risk is zero. We do not deal with suspicious Clients/ Vendors. We do a detail analysis of the background of the entities/ individuals dealing with us and also obtain a declaration from them regarding the title and origin of metals and also that they are compliant with OECD Due Diligence Guidance Model Policy of responsible sourcing if minerals from conflict affected and high risk areas.

Responsibility, accountability and traceability

SML bestows responsibility on all its employees regarding strict adherence to the supply chain policy as established here. SML shall maintain strong control over the supply chain and shall also identify the risk areas. In order to trace the earlier transactions and to avoid any suspicious transaction which may be relating to money laundering, SML shall maintain records of all the transactions for a period of 5 years from the end of the financial year in which the transaction took place.

SML shall appoint a designated compliance officer to look after the compliance activity and to supervise due diligence activities.

The procurement system requires the input of professionals with honed negotiating skills and a good grasp of market dynamics. Continuous education and training of procurement professionals within the framework established by the Act shall be encouraged with the expressed aim of professionalizing public procurement.

SML will not deal with, and will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are committing abuses described above, or sourcing from any party committing or linked to such abuses.

SML will not tolerate direct or indirect support to non-state armed groups, including, but not limited to, procuring precious metals from, making payments to or otherwise providing assistance or equipment to, non-state armed groups or their affiliates who illegally:

- Control mine sites, transportation routes, points where precious metals are traded and upstream actors in the supply chain; and/or
- Tax or extort money or precious metals at mine sites, along transportation routes or at points where they are traded; and/or
- Tax or extort money or precious metals from intermediaries, export companies or international traders

KYC- Know your Customer/ Vendor

SML, will do careful evaluation of counterparties by screening their KYC using reliable, independent source documents, data or information (e.g. World Check and shall ask for the below documents from its counterparty to ensure strict due diligence.

- a) Mining license, if applicable;
- b) import/export gold license, if applicable;
- c) Collecting and assessing mining practice;



- d) Data on mining capacity, if available.
- e) Supply Chain policy of the client in line with OECD guidelines.
- f) AML & CFT policy and practices, if applicable
- g) For Recycled Gold, collecting and assessing the Recycled Gold-supplying counterparty's AML- CFT policy and practices, if applicable.
- h) Periodic due diligence by the counterparty of its vendors if the counterparty is not a miner.

SML shall bifurcate its Suppliers into two categories, High Risk and Low (standard) Risk. Such bifurcation can be based on below criteria:

- a) The Metal originates from, has transited or has been transported via a conflict-affected or human rights abuse high-risk area.
- b) The metal is claimed to be originated from a country that has limited known reserves, likely resources or expected production levels of gold.
- c) The Metal comes from a country where gold from conflict-affected and human rights abuse high- risk areas are known, or reasonably suspected to transit.
- d) Metal-supplying counterparty or other known upstream companies are located in a country representing high-risk for money laundering, crime or corruption
- e) Clients/ Vendor's or their directors are PEP.
- f) Gold-supplying counterparty or other known upstream companies are active in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, diamond merchants, sects and their leaders.

For the High Risk Customers/ Vendors, SML may further do Enhanced Due Diligence(EDD) by:

- Visiting the counterparty personally to seek clarification or obtaining additional documents
- Appointing independent agency to verify source documents, data etc of the beneficial owner of the Suppliers.

Risk Reporting and Mitigation

Any identified risk shall be reported to the senior management and SML's management shall take a call on mitigation of risk relating to the transaction as per the company's policies.

SML will not deal with, and will immediately discontinue engagement with upstream suppliers where we identify a reasonable risk that they are committing abuses described above, or sourcing from any party committing or linked to such abuses.

In case of any suspicion SML at its own discretion shall discontinue its business relation with any customers / vendors without providing any ground of whatsoever.

Other Guidelines:

- SML shall establish the permanent foundation upon which the company operates and is expected to be relatively independent of the changing technologies and methods used to carry them out.
- SML shall ensure pertinent information on market conditions, trends, prices, government regulations, etc. is properly disseminated to relevant personnel within the company.
- SML shall establish avenues to allow disputes that may arise between suppliers and procuring entities to be resolved in a professional, impartial and timely manner.
- SML shall promote procurement activities in a way that reduces the environmental impacts while selecting suppliers (hereinafter including prospective suppliers) and procurement items.
- SML shall provide suppliers with equal opportunities for transactions with Sovereign.



Precious Metal Supply Chain Policy

- SML policy strictly prohibits the offer or acceptance of a bribe in any form, including kickbacks or the use of any route of which the intention is to provide improper benefits to third parties, in both public and private sectors, whether made directly or indirectly.
- Deviations if any, shall be approved by the MD.

Sovereign Metals Limited

Director