



# **SOVEREIGN METALS LIMITED**

## **Compliance Report for the year 2024-25**

**(Reporting Period 1st April, 2024 to 31st March, 2025)**

**Responsible Sourcing Guidance and OECD Due  
Diligence Guidance for Responsible Supply Chain of  
minerals from conflict-affected and high-risk areas**

## Introduction

Sovereign Metals Limited (SML) is a responsible gold and silver refinery headquartered in Rajkot, Gujarat, with operational facilities in Ahmedabad, Gujarat. Since our establishment in 2017, we have been actively engaged in trading, sourcing, refining, and supplying gold and silver in the Indian market. Over the years, our dedication to quality, transparency, and sustainability has earned us recognition for our responsible business practices.

SML operates as an accredited Responsible Jewelry Council (RJC) refinery and is committed to achieving Good Delivery Refinery status with the London Bullion Market Association (LBMA). Through rigorous adherence to responsible sourcing, we aim to strengthen our position within the global precious metals industry.

Additionally, SML holds the following accreditations:

- ISO 14001:2015 (Environmental Management System)
- ISO 45001:2018 (Occupational Health and Safety Management System)
- ISO 17025:2017 (NABL) Accredited Laboratory (Ensuring precise testing and calibration standards)
- India Good Delivery Refinery (Certified for gold delivery standards in India)
- BIS Approved (Compliance with Bureau of Indian Standards for precious metals refining)

SML has incorporated the LBMA Responsible Gold Guidance (RGG) into its supply chain management and ethical business practices. The RGG establishes high standards of due diligence for Good Delivery Refiners to:

- Prevent human rights abuses associated with gold sourcing.
- Avoid contributing to conflicts in supply chain operations.
- Comply with stringent Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) regulations.

The RGG is aligned with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance) and follows a five-step framework to ensure ethical gold sourcing.

Beyond the core OECD Guidance, SML acknowledges the importance of environmental and social responsibility in the precious metals industry. Our policies extend beyond compliance to proactively address:

- Sustainable sourcing and refining practices.
- Environmental stewardship, including responsible chemical handling.
- Ethical labour standards and workplace transparency.

Since April 2024, SML has fully implemented the LBMA RGG V9. And Annex II of the OECD Guidance across all sourcing activities. We are preparing for third-party audits to ensure full compliance with LBMA RGG V9. and OECD Guidance, reaffirming our commitment to best practices.

Supply chain due diligence remains a core priority for SML. We continuously enhance our processes, standards, and industry leadership, striving to elevate global due diligence benchmarks while ensuring responsible sourcing.

<b>Table 1: Company's details</b>	
Company name	SOVEREIGN METALS LIMITED
Location	Head office: 31, Shaligram Complex, Bhupendra Road, Rajkot-360001, Gujarat, India  Refinery (Plant): Plot No. 35p, 36p, 37p, 38 & 40b, Phase-3, Naroda, G.I.D.C., Ahmedabad-382330
Reporting period	April 1st, 2024-March 31st 2025
Precious metals in the scope of the LBMAOECD Responsible Sourcing audit	GOLD
Senior Management Responsible	Mr. Viral P. Lodhiya (Managing Director)
Date of Report	April 10th 2025

This report provides a summary of Sovereign Metals Limited's adherence to the five-step framework of the LBMA Responsible Gold Guidance (RGG) and the OECD Due Diligence Guidance for the reporting period 2024-2025.

## **Sovereign Metals Limited – Compliance Evaluation**

The following table outlines the specific requirements fulfilled by Sovereign Metals Limited (SML) in accordance with Version 9 of the LBMA Responsible Gold Guidance (RGG). This evaluation demonstrates SML's full compliance with the due diligence standards established by the LBMA and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Annex II).

Accordingly, SML has successfully demonstrated compliance for the reporting year 1<sup>st</sup> April 2024 to 31<sup>st</sup> March 2025, ensuring responsible sourcing, risk mitigation, and ethical practices across all supply chain operations.

### **Step 1: Establishing a Strong Company Management System**

Sovereign Metals Limited (SML) has successfully complied with Step 1 of the LBMA Responsible Gold Guidance (RGG) by establishing robust company management systems to ensure ethical and transparent sourcing.

#### **1.1 Responsible Sourcing Policy**

SML's Responsible Sourcing Policy aligns fully with the OECD Due Diligence Guidance (Annex II), ensuring responsible sourcing practices across all our operations. Our Supply Chain Policy has been formally approved by the Compliance Committee, which consists of the Managing Director and Compliance Officer. Given the scope and scale of our sourcing activities, the Compliance Committee is structured with two key members overseeing policy implementation. The current version of the Supply Chain Policy was approved by the Compliance Committee on **25-04-2024**.

Our Responsible Sourcing Policy outlines our commitment to strong governance and ethical sourcing, ensuring compliance with the following principles:

- **Risk Mitigation Measures:**
  - Preventing significant adverse impacts associated with mineral extraction, trading, handling, and export, as defined in Annex II of the OECD Due Diligence Guidance.
  - Addressing risks related to conflict financing, human rights abuses, money laundering, and mineral fraud.
- **Environmental, Social, and Governance (ESG) Considerations:**
  - Implementing comprehensive risk mitigation strategies to manage ESG concerns throughout our supply chain.
  - Ensuring continuous monitoring and evaluation of suppliers for compliance with ethical, social, and environmental standards.
- **Child Labor Prohibition:**
  - Strictly prohibiting child labour in our operations and supply chains, in accordance with ILO Convention 138.
  - Conducting regular audits to ensure compliance with international labour rights protections.
- **Adherence to Sanctions and Regulatory Compliance:**
  - Complying with all local and international sanctions, including those imposed by the UN, EU, UK, and US, to prevent engagement with high-risk entities.
- **Financial Integrity in Precious Metals Transactions:**
  - Committing to transact exclusively through official banking channels to ensure transparency and compliance with anti-money laundering (AML) and counter-terrorist financing (CTF) standards.
  - Prohibiting the use of cash transactions in sourcing and trading operations beyond approved thresholds.

By integrating these principles into our corporate governance framework, SML ensures accountability, transparency, and ethical responsibility in its global supply chain.

Our Responsible Business Practice Policy and Supply Chain Policy are publicly accessible on our website. These policies are effectively communicated to all employees, ensuring alignment with ethical sourcing principles. Additionally, we share our supply chain policy and responsible business practice policy with our suppliers and reinforce them to comply and align with the same, as a part of our due diligence and onboarding requirements.

## **1.2 Internal Management Structure for Supply Chain Due Diligence**

### **Roles and Responsibilities**

Sovereign Metals Limited (SML) has established a Compliance Team to oversee supply chain due diligence, headed by the Compliance Officer. The Compliance Committee, composed of the Managing Director (MD) and the Compliance Officer, retains ultimate responsibility for addressing serious human rights abuses, money laundering, terrorist financing, conflict prevention, and environmental sustainability across the supply chain.

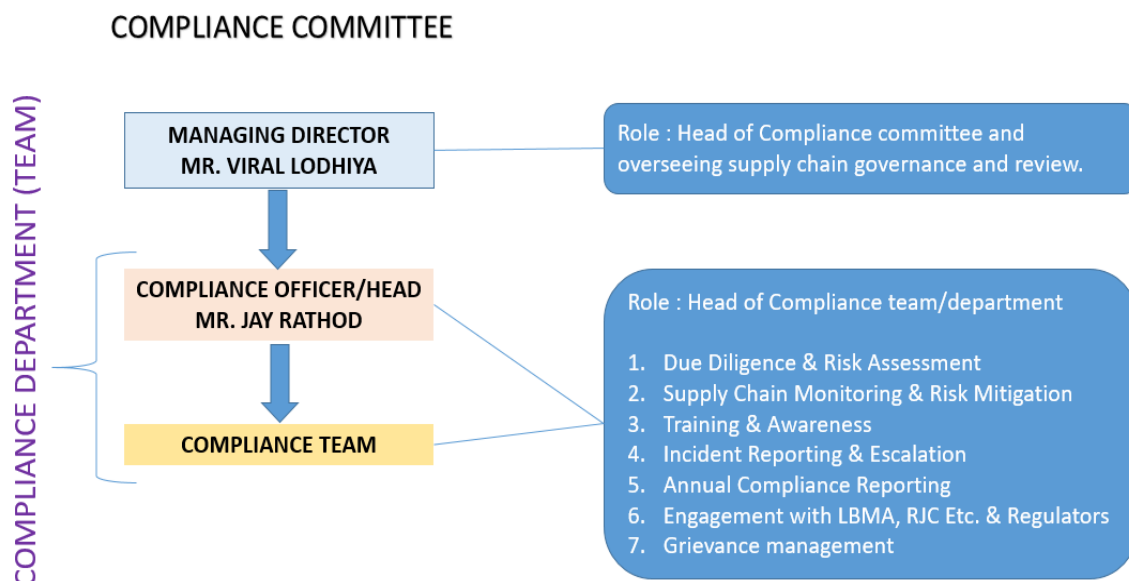
## Delegation of Authority

- **Board of Directors:** Delegates operational supply chain responsibilities to the Managing Director (MD).
- **Managing Director (MD):** Provides direct oversight of the Compliance Committee to ensure responsible sourcing practices.
- **Compliance Officer:** Leads the Compliance Team and manages the implementation of due diligence frameworks.

## Compliance Team Structure

- The Compliance Team is currently led by the Compliance Officer.
- New personnel will be integrated into the team to strengthen operational oversight.
- The Compliance Team maintains a direct reporting line to the Compliance Officer, ensuring transparency and accountability.

The Compliance Officer serves as the first point of contact for responsible sourcing, ensuring the implementation of supply chain risk assessments, monitoring, and compliance enforcement.



## Compliance Department (Team)

The Compliance Team is responsible for overseeing all aspects of anti-money laundering (AML), combating terrorist financing (CTF), preventing contributions to conflict, addressing serious human rights abuses, and ensuring adherence to social, environmental, and sustainability responsibilities across the supply chain.

## Key Responsibilities

The Compliance Team ensures the effective implementation of responsible sourcing practices and regulatory compliance through the following core functions:



1. Due Diligence & Risk Assessment
2. Supply Chain Monitoring & Risk Mitigation
3. Training & Awareness Programs
4. Incident Reporting & Escalation
5. Annual Compliance Reporting
6. Engagement with LBMA, RJC, and Regulatory Authorities
7. Grievance Management & Resolution

The Compliance Team is adequately resourced to perform its duties and follows a structured process for onboarding, due diligence, risk assessment, and enhanced due diligence to ensure compliance with industry best practices.

## Compliance Culture and Training

At Sovereign Metals Limited (SML), we prioritize continuous learning and professional development to foster a strong compliance culture. This culture is reinforced through effective communication between the Compliance Officer and the Managing Director, supported by meetings, training sessions, and pre-onboarding discussions.

- The Compliance Officer leverages expertise and industry knowledge to conduct initial assessments of counterparties and eliminates those failing to meet compliance expectations early in the onboarding process.
- The training program—a key component of our responsible sourcing framework—includes in-person and virtual training sessions, conducted both internally and externally.
- The Managing Director actively participates in training to ensure strategic oversight and leadership in compliance practices.

During 2024-25, the Compliance Team participated in two major training sessions focused on responsible sourcing:

1. **Responsible sourcing session led by a management consultant**
2. **LBMA Responsible Sourcing training via Zoom, conducted by LBMA**

Additionally, the Compliance Officer continuously enhances knowledge and expertise by utilizing various materials and industry resources on responsible sourcing, risk assessment, and mitigation. The program was further strengthened through online training modules focused on AML and responsible sourcing.

Currently, the Compliance Team consists of one member—the Compliance Officer, who has attended all required training sessions and maintains competency in responsible sourcing.

Throughout 2024-25, the Compliance Officer diligently identified, resolved, and escalated due diligence concerns to the Managing Director where necessary.

- **No material violations** of the internal due diligence process were detected.
- **No internal sanctions** were imposed.
- **LBMA responsible sourcing standards and OECD guidance** were strictly followed in the due diligence of all counterparties.

- **No exceptions** were reported, though high-risk supply chains were escalated to the Managing Director for enhanced due diligence where appropriate.

Semi-annual management reviews are conducted to evaluate the effectiveness and implementation of the due diligence program. The most recent review was held on 23 January 2025, with meeting minutes duly recorded and disseminated to relevant stakeholders for tracking progress and ensuring accountability on action items.

### **1.3 System of Transparency, Information Collection, and Control Over Precious Metals Supply Chain Due Diligence**

Sovereign Metals Limited (SML) has implemented robust systems to ensure transparency, information collection, and effective control over supply chain due diligence for all sourcing. These measures support compliance with LBMA Responsible Gold Guidance (RGG) Version 9 and enhance supply chain integrity.

#### **Key Due Diligence Measures**

##### **1. Due Diligence and KYC Questionnaire (as per LBMA refiner's toolkit)**

- Comprehensive due diligence checklists and toolkits are continuously reviewed and updated to reflect evolving regulatory requirements and operational risks.
- The Know Your Counterparty (KYC) questionnaire is a structured tool used to assess counterparties' risk profiles and compliance with ethical sourcing standards.

##### **2. Supplier Onboarding Process**

- Manual onboarding is conducted with proper KYC documentation to ensure supplier compliance.
- A digitalized Supplier Onboarding system is being developed to streamline due diligence documentation, automate risk assessments, and enhance approval processes.
- Once due diligence is finalized and necessary clarifications are obtained, approval is issued by the Compliance Team to ensure efficiency and transparency.

##### **3. Counterparty Screening Tool**

- Screening tools are used to assess all counterparties, authorized signatories, and Ultimate Beneficial Owners (UBOs) against UN, OFAC, EU, CAHRA, OFSI and World-Check databases for any risks related to money laundering, fraud, or sanctions.
- A well-developed screening system is currently in use, ensuring comprehensive risk assessment of entities, UBOs, and authorized signatories.

**Traceability:** A well-organized traceability system is in place to essentially track and record every step of the refining process which efficiently embodies all the key trails like material reception, batch tracking, process flow, quality control & data analysis. A structured database schema to capture relevant data at each stage covering:

1. Set of documents and its screening: There is standardization of set of documents to streamline the procurement of material of each type whether imported or procured locally. The documents like AWBs, packing list, Assay certificates, Proforma invoice,

Certificate of Origin, Declarations etc. are screened by well trained personnel ensuring no deviations from the compliances involved and minimize the risk level in the supply chain.

2. Segmentation of Supply: Each supply is classified into sub categories like Mined, Recycled, rudimentary bars / old jewellery / industrial or electronic waste.
3. Allotting Lot/Batch IDs: A unique self-narrative batch numbers are assigned to track materials throughout the process i.e. from receipt to final product. The batch numbers so allotted, accurately tracks the material at every stage like inward, work-in-progress, and finished goods to ensure traceability and accountability.
4. Material reception & Inward handling: A transaction monitoring report/GRN that records the receipt of raw materials, inward date, its source reference, allocated lot ID, captured images of the supply, weights received against supply, purities, discrepancies if any.
5. Process Flow: A checklist which thoroughly records to track each step of the refining process like weighing, melting, sampling, recovery, handover material further to production dept.
6. Lab Quality control: A well-established Laboratory set up monitors and support quality control checks throughout the process and ensures accuracy in assay.
7. Refining into Finished Product: Raw materials or intermediate products are transformed into final products ensuring the finished goods meet quality standards.

## **Record Keeping and Payment Policies**

Upon termination of a business relationship or the completion of a transaction, Sovereign Metals Limited (SML) maintains supply chain and transaction records for a period of five years. This practice ensures compliance with regulatory standards and supports transparency in responsible sourcing.

SML strictly prohibits cash transactions, irrespective of the amount. All currency and metal payments are exclusively processed through international banking channels to uphold financial integrity and anti-money laundering (AML) standards.

### **1.4 Engagement with Precious Metal Suppliers**

At Sovereign Metals Limited (SML), we establish and maintain long-term business relationships based on mutual transparency and compliance with responsible sourcing standards. Our engagement with suppliers is founded on rigorous due diligence and supply chain confirmation to ensure ethical sourcing practices.

SML sources precious metals from the following entities:

- Large-Scale Mining (LSM) and Medium-Scale Mining (MSM)
- Aggregators
- Intermediate Refiners
- Legitimate Artisanal and Small-Scale Mining (ASM)

All suppliers are required to comply with OECD Guidance and industry-standard supply chain protocols.

## **On-Site Audits and Supply Chain Oversight**

- Site visits are conducted regularly, with high-risk suppliers reviewed within six months of engagement.
- Standard supplier site visits take place every two years, depending on supply volume and operational circumstances.
- SML maintains an on-ground representative in Peru to oversee sourcing and supply management, conducting random site inspections to ensure compliance.

Where feasible, SML assists suppliers in improving their responsible sourcing practices by:

- Providing guidance and support for ethical supply chain operations.
- Encouraging best practices and compliance improvements.
- Ensuring the Compliance Officer/team, who receive regular training, actively promote responsible sourcing principles.
- Leveraging on-site visits to explain the regulatory framework, expectations, and industry best practices.
- Advising suppliers on continuous improvement efforts, including obtaining independent certifications to strengthen their compliance.

## Payment to Government

During the 2024-25 reporting period, Sovereign Metals Limited (SML) sourced gold doré from a 'State-owned Entity'. The payment for this sourcing was made to the a 'State-owned Investment-fund', in compliance with applicable financial and regulatory requirements.

## 1.5 Grievance Mechanism

Sovereign Metals Limited (SML) has established a transparent, independent, and accessible grievance mechanism to allow employees, supply chain actors, and stakeholders to confidentially report concerns related to the supply chain or newly identified risks without fear of reprisal.

Concerns can be submitted through the dedicated grievance email: **[grievance@sovereignmetals.in](mailto:grievance@sovereignmetals.in)**.

## Grievance Handling Process

- All grievances, including anonymous submissions, are directly handled by the Compliance Department.
- The grievance mechanism is communicated systematically through:
  - The Precious Metal Policy
  - The Company Website
  - Internal training sessions
- Reports on grievance cases are included in the quarterly compliance updates shared with the Board of Directors.
- Upon receiving a grievance, the compliance officer promptly identifies and addresses the issue with urgency and within the designated timeframe. If necessary, the officer escalates the grievance to the head of the compliance committee for further review. Throughout the resolution process, the compliance officer ensures thorough documentation, maintaining detailed records of each grievance and the corresponding actions taken to uphold transparency and accountability.

During the 2024-25 reporting period, no direct grievances were received through the official grievance mechanism.

## **Step 2: Identification and Assessment of Risks in the Supply Chain**

Sovereign Metals Limited (SML) has fully complied with Step 2 of the LBMA Responsible Gold Guidance (RGG) V9, ensuring a thorough risk identification and assessment process across its supply chain.

### **2.1 Risk Identification Process**

As part of our due diligence procedures, SML systematically identifies and assesses key risks associated with precious metals sourcing. The following risks are continuously monitored and evaluated:

- **Human Rights Violations:** Any systematic or widespread abuses related to the extraction, transport, or trade of precious metals, including:
  - Worst forms of child labour
  - Torture, inhumane, or degrading treatments
  - Widespread sexual violence and other gross human rights violations
  - Forced or compulsory labour
  - War crimes, crimes against humanity, and genocide
- **Support for Illegitimate Armed Groups:** Direct or indirect support to non-state armed groups or illegal security forces who:
  - Illegally control mine sites, traders, intermediaries, and transport routes
  - Extort taxes or payments from mineral supply chains
- **Supply Chain Integrity Risks:**
  - Bribery and fraudulent misrepresentation of precious metal origins
  - Non-compliance with taxes, royalties, and fees due to governments
  - Money laundering or terrorist financing activities
  - Contribution to armed conflict through mineral trade
  - Sourcing from illegal mining operations
- **Environmental, Social, and Governance (ESG) Risks:**
  - Non-compliance with environmental, health & safety, and labour regulations in the country of operation
  - Adverse ESG impacts within the primary supply chain

### **Risk-Based Due Diligence Approach**

SML employs a risk-based due diligence methodology to classify and address supply chain risks effectively. This approach ensures that high-risk categories are systematically identified and mitigated across all counterparties.

We assess supply chains based on three primary risk categories:

1. **Location Risk** – Evaluating risks associated with sourcing from Conflict-Affected and High-Risk Areas (CAHRAs)
2. **Supplier Risk** – Screening suppliers for political exposure, financial integrity, and ethical business practices

### 3. **Material-Based Risk** – Assessing risks tied to LSM, ASM, Recycled Gold, and Intermediate Refiners

#### **Continuous Monitoring and Risk Review**

- Reliable external data sources and indexes are utilized to assess high-risk areas, ensuring compliance with industry standards.
- Annual reviews of risk classifications help refine and update due diligence measures.
- Sensitive cases undergo more frequent evaluations to ensure alignment with evolving regulatory and market conditions.

##### **LOCATION RISK:**

SML conducts thorough screening of the country of supply, Ultimate Beneficial Owners (UBOs), and management using globally recognized databases and regulatory frameworks, including UN, UN, EU, UK Sanctions list, EU CAHRA, DODD-FRANK, HEIDELBERG BAROMETER, FRAGILE STATES INDEX, UN HUMAN RIGHTS COMMISSION, FATF, WORLD HERITAGE SITE and other relevant databases.

##### **SUPPLIER RISK:**

SML applies stringent due diligence measures to assess suppliers, focusing on: UBOs and Management screening against UN, US, EU, UK sanctions, FATF and CAHRA lists, Politically Exposed Person identification, evaluation of business activities and ownership structures, supply chain compliance verification including AML-CFT, Anti-bribery and corruption, ESG breach and adverse media screening for negative exposure and legal issues. Historical sourcing is also reviewed by identifying transactions linked to high-risk countries within the last 12 months and verifying discrepancies with existing records.

##### **MATERIAL BASED RISK:**

SML identifies risks based on the type of material sourced. ASM supply is flagged as high-risk due to potential human rights concerns, environmental issues, and governance challenges. Aggregators undergo enhanced due diligence to verify compliance with responsible sourcing. Mercury usage in gold extraction is a significant risk factor due to environmental and health hazards. Suppliers using mercury are classified as high-risk, requiring additional scrutiny and corrective actions.

Sovereign Metals Limited (SML) has developed a comprehensive Due Diligence and KYC Questionnaire designed to capture all relevant information required to assess the identified risks in the supply chain. This structured approach ensures that supply chain counterparties undergo thorough risk evaluation.

## **2.2 Risk Classification and Assessment as per our Standard Due Diligence System**

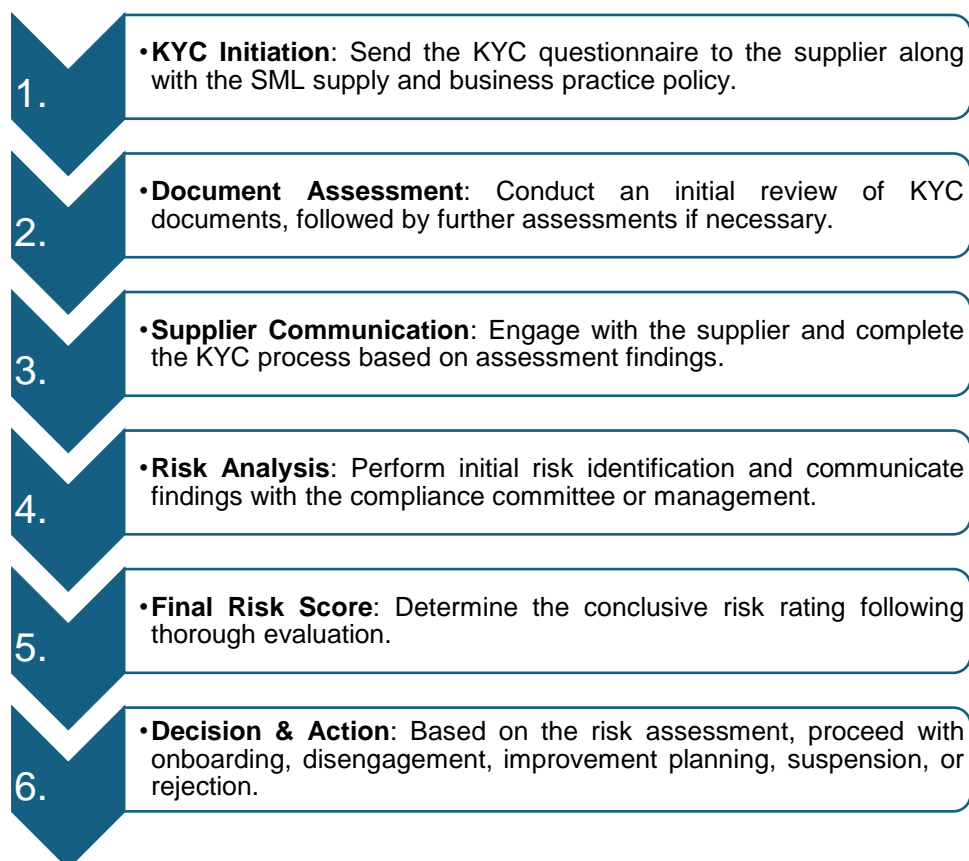
- **Determination of Risk Level:** The Compliance Officer evaluates counterparties based on predefined high-risk criteria and ensures thorough assessments at the time of onboarding and periodic reviews.

- **Authority of the Compliance Department:** The Compliance Department holds discretionary power to classify a relationship as high-risk, even in cases where no specific high-risk criteria are met under existing policies.
- **Documentation & Approval:** All risk levels and assessments are formally documented and approved by the Compliance Officer, in consultation with the Managing Director, to maintain accountability and transparency.
- **Reassessment Approach:** Risk classification is periodically reviewed and re-evaluated during event-driven due diligence assessments, ensuring that emerging risks are appropriately managed.

## Onboarding & Due Diligence Process

Sovereign Metals Limited (SML) implements a structured supply chain due diligence process, ensuring comprehensive risk assessment both before entering a business relationship and on an ongoing basis with all precious metals supplying counterparties. This approach helps identify and mitigate risks outlined in our Responsible Sourcing Policy.

SML follows a well-defined, risk-based onboarding and ongoing due diligence framework that includes:



The due diligence procedures conducted vary depending on the nature of the supply chain—whether it involves large-scale mining (LSM), artisanal and small-scale mining (ASM), or recycled precious metals—as well as the type of counterparty, such as listed corporate groups or small private companies. Each counterparty, along with their ultimate beneficial owners (UBOs), undergoes a comprehensive screening process at onboarding and at regular intervals.

This screening is conducted against external databases to identify potential risks, ensure regulatory compliance, and uphold ethical sourcing standards. By tailoring due diligence measures to these factors, we maintain robust risk assessment protocols while aligning with industry best practices.

## 2.3 Enhanced Due Diligence Measures

Sovereign Metals Limited (SML) implements enhanced due diligence (EDD) in accordance with LBMA Responsible Gold Guidance V9 and OECD Due Diligence Guidance to mitigate risks associated with higher-risk supply chains.

For the 2024-25 reporting period, approximately 98% of our upstream supply chain was classified as high inherent risk due to:

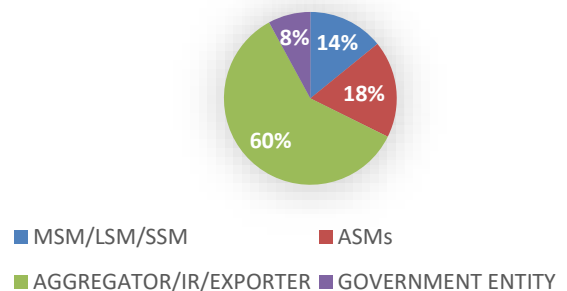
- The geographical location of mining operations in a high-risk country
- Sourcing from Artisanal and Small-Scale Mining (ASM)
- Engagement with Intermediate Refiners or Aggregators

During the period under review	High Risk Supply Chain - 97.71%
	Non High Risk Supply - 2.29%

### Supply Chain – Dore Import

1. MSM/LSM/SSM
2. ASMs
3. AGGREGATOR/IR/EXPORTER
4. GOVERNMENT ENTITY

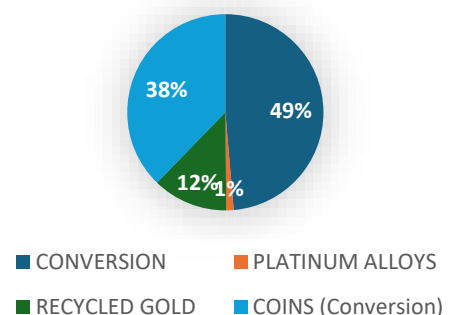
### Supply Chain - Dore Import



### Supply Chain – Domestic Sourcing (Recycled)

1. PURITY CONVERSION
2. PLATINUM ALLOYS
3. RECYCLED GOLD
4. COINS (Conversion)

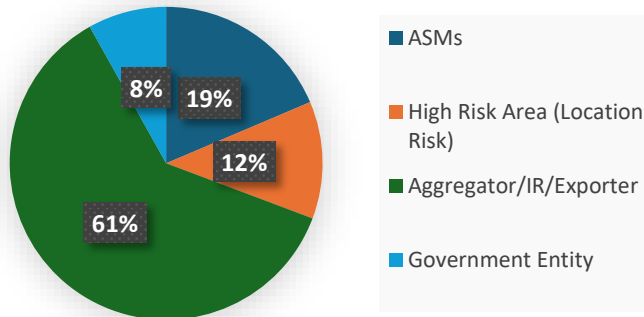
### Supply Chain - Domestic Sourcing (Recycled)



### Type of High-risk supply chain

1. ASMs
2. Aggregator/Intermediate Refineries/Exporter
3. High Risk Area (Location Risk)
4. Government Entity

### High Risk Supply



### High-Risk Supply Chain Review & On-Site Visits

Sovereign Metals Limited (SML) conducts periodic and event-driven reviews for counterparties classified as high-risk, ensuring continuous oversight and compliance with responsible sourcing standards.

#### Review Process

- **High-Risk Relationships:** Assessed on a case-by-case basis either annually or periodically, based on evolving risk factors. The Compliance Team prepares an annual high-risk supplier report to guide risk mitigation efforts.
- **Non-High-Risk Relationships:** Reviewed on a yearly basis by the Compliance Department to ensure compliance with sourcing and due diligence standards.
- **Event-Triggered Reviews:** Conducted in response to:
  - Changes in ownership
  - Negative media reports or newly identified risks
  - Supply chain grievances or operational changes

#### On-Site Visits & Compliance Monitoring

- High-risk supply sources are visited within six months of onboarding, followed by recurring visits at least every three years.
- On-site inspections serve as a critical component of Enhanced Due Diligence (EDD), facilitating risk assessment, compliance verification, and operational transparency.
- LBMA RGG V9 site visit toolkit is used to conduct structured assessments.

#### Recent Site Visit Summary (2024-25)

- Few high-risk suppliers are yet to be visited, with planned inspections to be completed before the end of 2025.
- Two high-risk supply sites were inspected by the head of the Compliance Committee as of April 2025:
  - One site was reclassified as low-risk after verification.
  - One site remained high-risk, requiring continuous monitoring and risk mitigation measures.

SML actively encourages counterparties to:

- Adopt and comply with the Responsible Sourcing Policy.
- Undergo an OECD guidance-equivalent audit, ensuring alignment with global ethical sourcing frameworks.

## **Monitoring & Transaction Scrutiny**

Sovereign Metals Limited (SML) implements a comprehensive monitoring framework to ensure continuous scrutiny of transactions, following a risk-based approach throughout the business relationship.

### **Ongoing Transaction Monitoring**

- Daily transaction reviews are conducted by the Compliance Team alongside operational checks.
- Transaction monitoring includes:
  - Type, quantity, and expected purity of received material.
  - Consistency of supporting documents with KYC information and due diligence records.
- Any unusual or high-risk transactions are flagged and communicated to the Compliance Team for clarification and verification.

### **Risk-Based Response & Escalation**

- Material inconsistencies or suspicions trigger an immediate segregation of the material.
- Release of materials occurs only after all discrepancies are fully resolved and no doubts remain.

### **Compliance & Zero-Tolerance Policy**

- No zero-tolerance or non-compliant supply was identified during the year.
- Due diligence records confirm no indications of child labour within counterparties' supply chains.
- Pending site visits for high-risk suppliers will provide additional verification to confirm compliance.

## **Supply Chain Description (Including ASM)**

Sovereign Metals Limited (SML) sources precious metals through both recycled (domestic) and mined doré supply chains, in accordance with the OECD Due Diligence Guidance.

## Mined Precious Metals Supply Chains

SML sources doré from mining operations in:

- **Armenia**
- **Peru**
- **Brazil**
- **Ghana**
- **Tanzania**

These sourcing regions are carefully evaluated through due diligence and risk assessment frameworks to ensure compliance with LBMA Responsible Gold Guidance (RGG) V9 and OECD Annex II provisions.

## Recycled (Domestic) Precious Metals Supply Chain

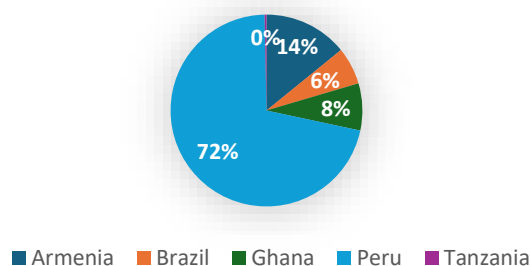
SML predominantly sources recycled precious metals from the domestic Indian market, engaging with:

- **Local jewellers**
- **Precious metals dealers**

No recycled gold imports are conducted, as Indian regulations prohibit the import of recycled gold under current legal frameworks.

### *Country wise Dore Import (Fine Weight) – 2024-25*

#### Dore Import (Fine Weight)



Sovereign Metals Limited (SML) has established a dedicated policy for sourcing from Peruvian Artisanal and Small-Scale Miners (ASMs) to ensure compliance with ethical and regulatory standards. To strengthen oversight, an on-ground representative has been appointed to manage sourcing, conduct site visits, and oversee enhanced due diligence for Peruvian ASM operations.

## Responsible Sourcing Through Aggregators, Exporters, and Intermediate-Refiners

- SML actively supports responsible sourcing practices, whether directly or through aggregators, exporters, and intermediate refiners.

- Comprehensive due diligence and enhanced due diligence frameworks are applied, including frequent site visits to verify compliance with responsible supply chain practices.

### Supply Chain Due Diligence & Site Visits

- During 2024-25, SML sourced materials from ASMs, aggregators, exporters, and intermediate refiners.
- Site visits for these suppliers are scheduled to be completed by the end of 2025 to ensure operational compliance.

### Management of Mercury Risks in ASM Supply Chains

- Mercury usage is classified as high-risk due to its environmental and health implications.
- SML urges suppliers to comply with local regulations and environmental standards to ensure controlled and lawful use of mercury.
- The head of the Compliance Committee will assess mercury-related risks during upcoming site inspections.

SML received supply from state-owned enterprises in 2024-25, with governance structures in place to support ASMs and small-scale miners in exporting doré through official channels. Site visits for these suppliers remain pending and will be completed in alignment with compliance protocols.

SML remains fully committed to LBMA Responsible Gold Guidance, ensuring responsible sourcing practices from ASMs, exporters, and intermediate refiners.

### **Step 3: Management System for Responding to Identified Risks**

Sovereign Metals Limited (SML) has fully complied with Step 3 of the LBMA Responsible Gold Guidance, implementing a structured management system to identify, assess, and respond to supply chain risks.

### Risk Management Framework

The Compliance Committee oversees risk management and applies three key risk response actions:

1. Suspending trade when significant risks arise.
2. Continuing trade with enhanced monitoring of counterparties.
3. Disengaging from counterparties when compliance concerns are unresolved.

The Compliance Officer plays a central role in risk assessment, mitigation planning, and follow-ups, ensuring timely interventions and ongoing supply chain oversight.

### Key Risk Responses & Actions Taken

Border Conflict – Resumed Supply

- A mine near a border conflict zone had suspended operations but resumed supply in October 2024 after stabilization.
- Enhanced Due Diligence (EDD) was conducted by the Compliance Officer, confirming risk mitigation efforts.
- The Managing Director visited the site in April 2025, providing additional verification.
- The Compliance Committee implemented entity and UBO screenings before each shipment to ensure ongoing risk monitoring.

#### High-Risk Supply Chain Oversight

- During 2024-25, SML sourced materials from Armenia, Brazil, Ghana, and Peru, with all supplies classified as high-risk by the Compliance Committee.
- Enhanced due diligence measures were applied to all suppliers.
- The Compliance Officer thoroughly assessed each supplier and formulated risk mitigation strategies with defined follow-ups and timelines.

SML continues to strengthen compliance mechanisms and prioritize responsible sourcing, ensuring strict oversight and accountability in mitigating supply chain risks.

#### **Step 4: Independent Third-Party Audit of Supply Chain Due Diligence**

Sovereign Metals Limited (SML) has fully complied with Step 4 of the LBMA Responsible Gold Guidance, ensuring an independent third-party audit of its supply chain due diligence processes.

- A third-party audit has been arranged for April 2025 to assess compliance with LBMA standards.
- The audit will be conducted by RCS Global Group (an SLR Company), a recognized firm specializing in responsible sourcing assessments.
- This audit is voluntarily initiated to enhance transparency and reinforce compliance with LBMA Supply Chain due diligence requirements.

#### **Step 5: Reporting on Supply Chain Due Diligence**

Sovereign Metals Limited (SML) has fully complied with Step 5 of the LBMA Responsible Gold Guidance, ensuring transparent reporting of supply chain due diligence practices.

#### Independent Audit & Reporting

- RCS Global Group (an SLR Company) was engaged to conduct an LBMA Supply Chain Audit in April 2025.
- The independent limited assurance report from the audit will be published on the company website upon completion.

#### Compliance Reporting

- Responsible Precious Metals Policy is publicly available on the company's website.
- LBMA Compliance Reporting:



- SML is preparing its first compliance report under LBMA reporting requirements.
- The LBMA Compliance Report, along with the Audit Report, will be published on the company website.
- RJC Compliance Reporting:
  - A compliance report for the 2023-24 reporting year was prepared under RJC requirements.
  - This report is already available on the company website.

## **Overall Conclusion**

Sovereign Metals Limited (SML) remains committed to continuous improvement in responsible sourcing, due diligence, and industry leadership. Through rigorous management systems, enhanced due diligence procedures, and proactive compliance measures, SML has successfully aligned with the requirements of:

- LBMA Responsible Gold Guidance
- OECD Due Diligence Guidance

For the 2024-25 reporting year, SML has strengthened transparency, risk mitigation frameworks, and ethical sourcing practices, reinforcing its dedication to industry-leading due diligence standards.

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**Compliance Officer**  
CS JAY RATHOD

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**Head of Compliance Committee**  
Mr. VIRAL P. LODHIYA

**Date : 15-04-2025**