



# **SOVEREIGN METALS LIMITED**

## **Compliance Report for the year 2025-26**

**(Reporting Period 1st April, 2025 to 31st March, 2026)**

**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 9001 (QMS-Quality Management System)
- 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 Version 9 (RGG V9) 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 including Disclosure Guidance as and when implemented by LBMA. 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, 2025-March 31st 2026
Precious metals in the scope of the LBMA OECD Responsible Sourcing audit	GOLD
Senior Management Responsible	Mr. Viral P. Lodhiya (Managing Director)
Date of Report	April 24th 2026

This report provides a summary of Sovereign Metals Limited's adherence to the five-step framework of the LBMA Responsible Gold Guidance Version 9 (RGG V9) and the OECD Due Diligence Guidance for the reporting period 2025-2026.

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

The following table outlines the specific requirements fulfilled by Sovereign Metals Limited (SML) in accordance with LBMA Responsible Gold Guidance Version 9 (RGG V9). 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 Chain of Minerals from Conflict-Affected and High-Risk Areas (Annex II) as well as disclosure guidance.

Accordingly, SML has successfully demonstrated compliance for the reporting year 1<sup>st</sup> April 2025 to 31<sup>st</sup> March 2026, 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 Version 9 (RGG V9) 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 Chairman & Managing Director, Managing Director (Joint) and Compliance Officer. Given the scope and scale of our sourcing activities, the Compliance Committee is structured with

four key members overseeing policy implementation. The current version of the Supply Chain Policy was approved by the Compliance Committee on **25-04-2025**.

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.

We maintain transparency by hosting our Responsible Business Practice and Supply Chain policies on our public website. These standards are communicated internally to ensure ethical alignment and are a mandatory component of our supplier onboarding and due diligence.

The Compliance Committee reviews and updates these policies regularly to meet the latest international sourcing benchmarks.

## **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 Chairman & Managing Director (MD), Managing Director (Joint MD), COO 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

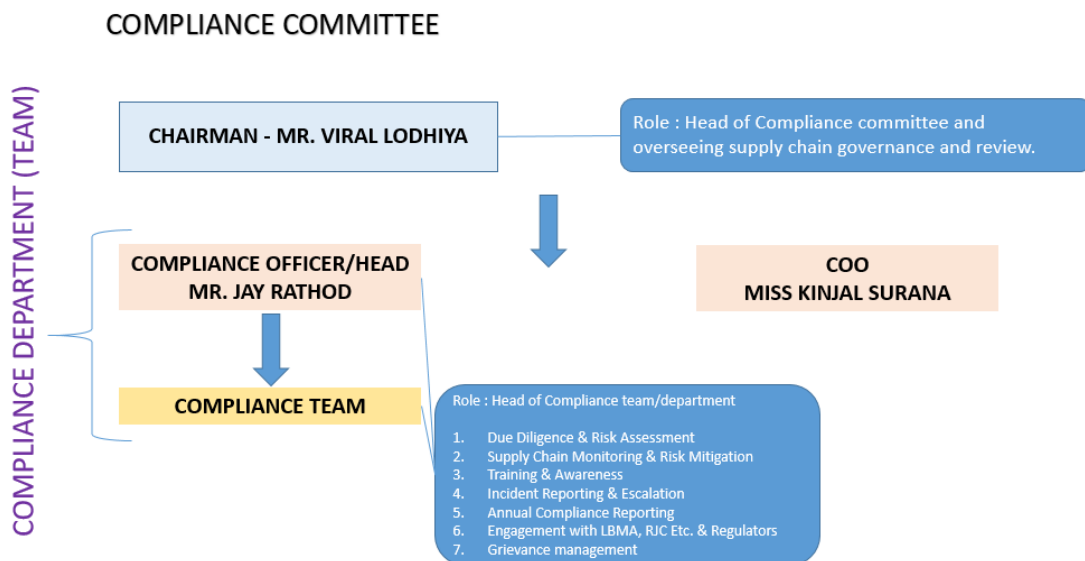
- **Board of Directors:** Delegates operational supply chain responsibilities to the Managing Director (MD).
- **Chairman & Managing Director, Managing Director (Joint MD):** Provides direct oversight of the Compliance Committee to ensure responsible sourcing practices.
- **Compliance Officer:** Leads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

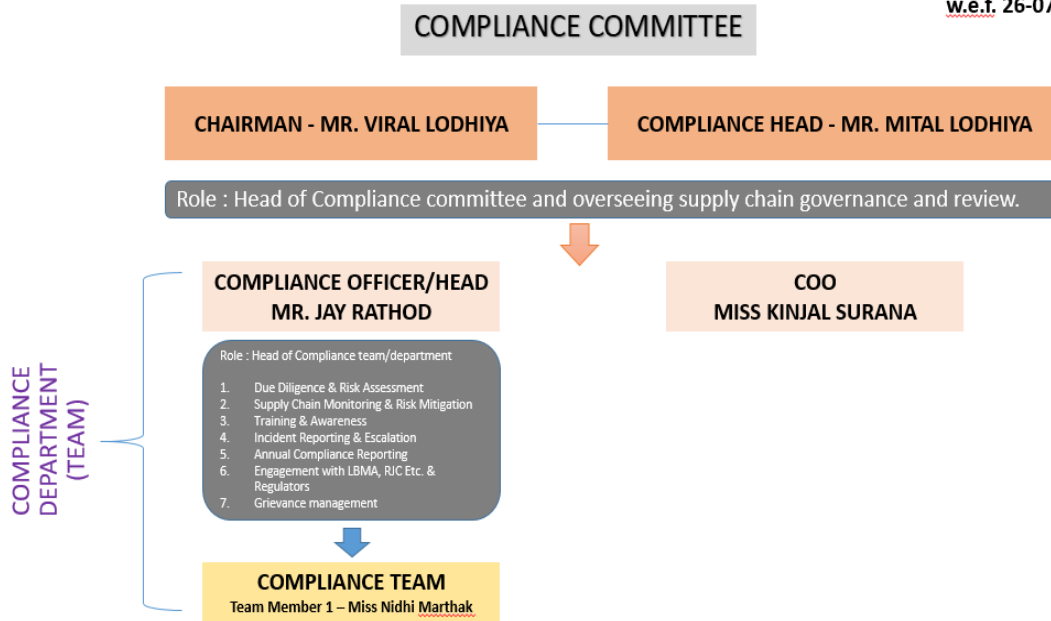
### Compliance Team Structure

- 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.

Till 26-07-2025





The Compliance Committee was reconstituted during the year under review, effective from July 26, 2025.

## Compliance Department (Team)

The Compliance Team is responsible for overseeing all aspects of Due Diligence, EDD, Risk Assessment, 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 including trainings with respect to responsible sourcing.

## 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 2025-26, the Compliance Team/Management participated in three major training sessions focused on responsible sourcing:

1. **Responsible sourcing training to newly joined compliance team member**
2. **Compliance team training on Screening Solution**
3. **Management Discussion on Disclosure Guidance Version 3**

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 2025-26, the Compliance Officer diligently identified, resolved, and escalated due diligence concerns to the Chairman and Head of Compliance Committee 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.

Periodic management reviews are conducted to evaluate the effectiveness and implementation of the due diligence program. Furthermore, the Compliance Committee convened at regular intervals to deliberate on compliance-related matters; minutes of these meetings were consistently maintained.



### **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 Version 9 (RGG V9) 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.
- We have established robust screening protocols across our entire supply chain, incorporating automated ongoing monitoring to ensure continuous compliance.
- 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.
- Robust screening tool is being used, incorporating automated ongoing monitoring to ensure continuous compliance.

**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, and 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/Processing Plants
- 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 within six months of engagement.



- To strengthen supply chain management, SML has initiated independent site assessments through third-party providers to verify ongoing compliance with LBMA requirements.
- Standard supplier site visits take place every three 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.
- SML maintains an on-ground representative in Ghana to oversee sourcing and supply management, identifying random sites for inspecting to ensure compliance by an independent assurance provider.

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 2025-26 reporting period, Sovereign Metals Limited (SML) procured gold doré from a state-owned entity established according to Central Act of the supplier's Country. All payments were settled directly with the supplier country's Central Bank, ensuring full compliance with the regulatory frameworks of both India and the counterparty jurisdiction.

## 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 2025-26 reporting period, no direct or indirect 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 Version 9 (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.
- Periodic 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, US, 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.

Further, robust screening tool is being used, incorporating automated ongoing monitoring to ensure continuous compliance.

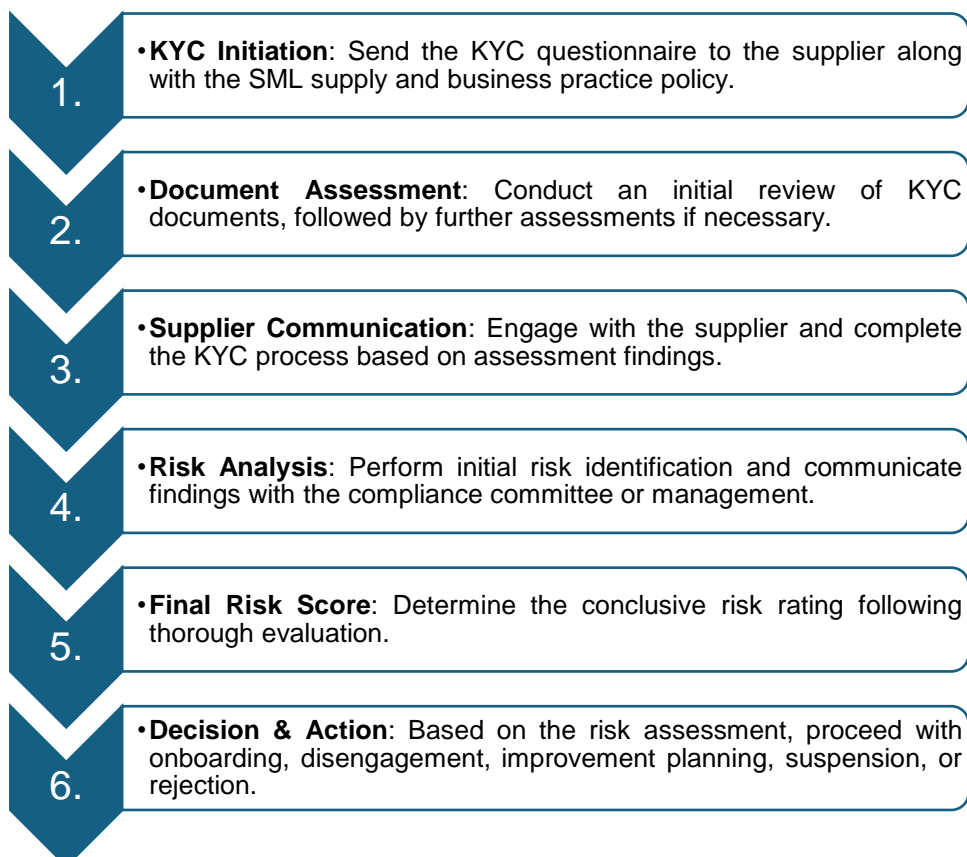
## 2.2 Risk Classification and Assessment as per our Standard Due Diligence System

- **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 Chairman or 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 Version 9 and OECD Due Diligence Guidance to mitigate risks associated with higher-risk supply chains.

For the 2025-26 reporting period, approximately 83% of our upstream supply chain was classified as high inherent risk due to:

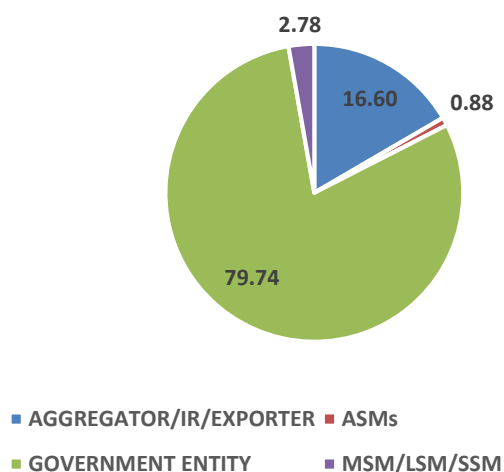
- The geographical location of mining operations in a high-risk country
- Sourcing from Government Entity
- Engagement with High Risk Aggregators

During the period under review	High Risk Supply - 82.63%
	Medium Risk Supply - 8.17%
	Low Risk Supply - 9.20%

#### Supply Chain – Dore Import

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

#### Supply Chain - Dore Import

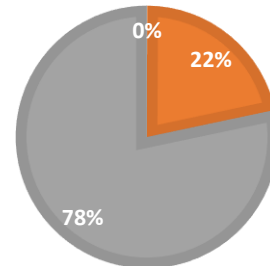




### Supply Chain – Domestic Sourcing (Recycled)

1. PURITY CONVERSION
2. PLATINUM ALLOYS & PALLADIUM ALLOYS
3. RECYCLED GOLD

### SUPPLY CHAIN – DOMESTIC SOURCING (RECYCLED)

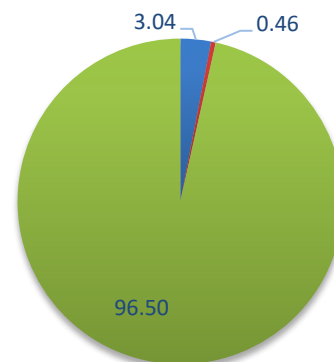


■ Palladium Alloy & Platinum Alloy ■ Purity Conversion ■ Recycled Gold

### Type of High-risk supply chain (out of high risk supply mentioned above)

1. MSM/LSM/SSM
2. Aggregator/Intermediate Refineries/Exporter
3. Government Entity

### High Risk Supply Types



■ MSM/LSM/SSM ■ Aggregator ■ Government Entity

### 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. Compliance team have established ongoing screening under the screening tool.

- **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 and independent site assessments through third-party providers.

## Recent Site Visit Summary (2025-26)

- **Site Visit Completion:** All high-risk supplier sites have been visited.
- **Comprehensive Review:** The Committee has reviewed and confirmed appointment of all third party assurance/third party site visitor and all site visit reports, including those prepared personally, by Authorized Representatives, and through independent third-party assessments.
- **Risk Scoring:** Conclusive risk scores have been assigned following the completion of the review process.
- **Corrective Action:** Specific improvement and follow-up plans have been established for all relevant suppliers.

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 and supported by site visit report/assurance report.

### 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**
- **Bolivia**
- **Brazil**
- **Ghana**
- **Peru**

These sourcing regions are carefully evaluated through due diligence and risk assessment frameworks to ensure compliance with LBMA Responsible Gold Guidance Version 9 (RGG V9) and OECD Annex II provisions.

#### Recycled (Domestic) Precious Metals Supply Chain

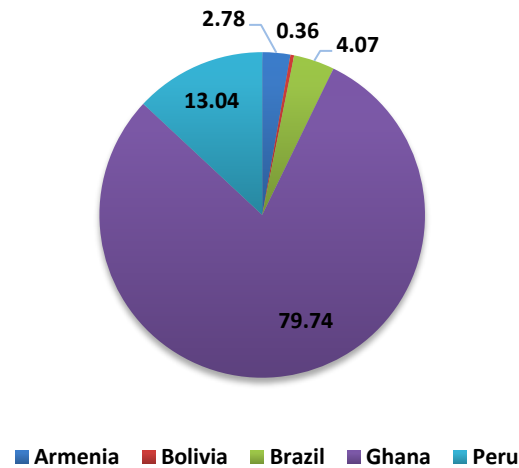
SML predominantly sources recycled precious metals from the domestic Indian market, engaging with:

- **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) – 2025-26**

**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 or processing plants.
- 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 2025-26, Sovereign Metals Limited (SML) sourced materials from a diverse range of entities, including ASMs, aggregators, exporters, intermediate refiners, and government-led export bodies. To ensure full compliance and supply chain integrity, all supplier sites were visited and subsequently reviewed by the Compliance Committee. Following these assessments, conclusive risk scores were assigned to each supplier, and comprehensive improvement and follow-up plans have been established to mitigate any identified risks.

**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 specifically oversaw the assessment of mercury-related risks and Environmental, Social, and Governance (ESG) factors during these inspections.

Independent third-party assurance providers have conducted site visits at various mines that supply the Government Entity (Exporter/Aggregator). Management is scaling coverage to the remaining mine-level suppliers. Given the vast scope, these assessments are being finalized in strict accordance with our internal compliance schedules and protocols.

SML remains fully committed to LBMA Responsible Gold Guidance Version 9, 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 Version 9, 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**

##### **High Risk Supply – Temporarily Suspended**

- **Suspension of Sourcing:** The Compliance Committee has temporarily suspended sourcing from two high-risk aggregators/exporters due to significant non-conformities identified during the due diligence process.

Case 1: Peru-based Supplier: Sourcing from a Peruvian supplier was suspended after they were classified as high-risk. This classification resulted from major compliance discrepancies and a lack of cooperation regarding mandatory site inspections.

Case 2: Bolivia-based Supplier: A Bolivian supplier was temporarily suspended following the evaluation of two trial shipments. The suspension was triggered by non-compliance at the KYC (Know Your Customer) due diligence level, inherent location risks, and anticipated policy changes at the central government level.

- Enhanced Due Diligence (EDD) was conducted by the Compliance Officer, confirming risk mitigation efforts.

### High Risk Supply – Screening Concern

- **Sourcing Review:** The Compliance Committee reviewed concerns raised by the Compliance Officer regarding a high-risk supplier from Armenia, following alerts generated by screening tools against specific Ultimate Beneficial Owners (UBOs) and Senior Management.
- **Formal Inquiry:** The identified screening concerns were formally addressed with the supplier, and detailed clarifications were requested regarding the flagged individuals.
- **Resolution and Monitoring:** Following the receipt of the requested clarifications, the documentation has been added to the permanent compliance record. The supplier remains under active, ongoing screening to ensure continued alignment with regulatory standards.
- The supplier's category remained "High Risk" throughout the period under review.

### High Risk Supply – Ghana Sourcing and PEP concerns.

- **Strategic Sourcing Review:** The Compliance Committee specifically reviewed sourcing from Ghana, where SML procures material from a Government Entity. This entity is a body corporate with statutory and regulatory mandates established under national law to oversee and monitor the Artisanal and Small-scale Mining (ASM) sector.
- **Policy Development & Risk Categorization:** While the entity is currently formalizing its supply chain, Anti-Money Laundering (AML), transparency, and ESG policies, the Compliance Committee has categorized this sourcing as High Risk. This classification also accounts for potential PEP (Politically Exposed Person) influence within the regulatory framework.
- **Active Monitoring & Corrective Actions:** In line with established corrective actions, SML maintains continuous engagement with the supplier, closely observing and documenting the development of their internal compliance protocols.
- **Enhanced Due Diligence (EDD):** To meet EDD requirements, an independently appointed third-party assurance provider has conducted on-site visits to the originating mine sites.
- **Verification Protocols:** The Compliance Team performs rigorous manual mine-site checks and verifies all supporting documentation at the point of shipment to ensure supply chain integrity.
- **Final Risk Status:** Due to the ongoing nature of policy formalization at the source, the supplier's category remained High Risk throughout the period under review.

### High-Risk Supply Chain Oversight

- During 2025-26, Sovereign Metals Limited (SML) sourced materials from Armenia, Bolivia, Brazil, Ghana, and Peru. Following a rigorous review process, the Compliance Committee identified several high-risk suppliers within this portfolio, specifically involving entities from Armenia, Bolivia, and Ghana. Consequently, these suppliers were subjected to enhanced due diligence (EDD) and specific risk mitigation protocols throughout the period under review.
- Enhanced due diligence (EDD) measures were rigorously applied to all suppliers, incorporating necessary actions, follow-up plans, and specific corrective measures.



- The Compliance Officer performed a thorough assessment of each supplier to formulate comprehensive risk mitigation strategies, each featuring defined follow-up protocols and strictly enforced implementation 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 Version 9, ensuring an independent third-party audit of its supply chain due diligence processes.

- A third-party audit has been arranged in the month of April 2026 to assess compliance with LBMA standards.
- The audit will be conducted by SLR Consulting Limited, an LBMA listed firm specializing in responsible sourcing assessments.

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

Sovereign Metals Limited (SML) has fully complied with Step 5 of the LBMA Responsible Gold Guidance Version 9, ensuring transparent reporting of supply chain due diligence practices.

#### **Independent Audit & Reporting**

- SLR Consulting Limited was engaged to conduct an LBMA Supply Chain Audit in April 2026.
- The independent limited assurance report from the audit will be published on the company website upon completion.

#### **Compliance Reporting**

##### **LBMA Compliance Reporting:**

- **Public Policy Access:** The Company's Responsible Precious Metals Policy is maintained and publicly available on the official website.
- **LBMA Compliance Reporting:** Both the LBMA Compliance Report and the corresponding Audit Report will be published on the company website upon completion.
- **WGC Sourcing Declaration:** SML hereby declares that no material was sourced from World Gold Council (WGC) recognized mines during the period under review.
- **Disclosure & Transparency:** SML is committed to disclosing the Country of Origin Annex, including specific mined material locations, as mandated by disclosure guidance. This information is available upon request. SML further affirms its support for all ongoing disclosures required by the LBMA.
- **Adoption of LBMA Guidance v3:** SML welcomes the enhanced transparency requirements introduced in the LBMA Disclosure Guidance Version 3. Although these standards were not technically applicable during this specific review period, the

Compliance Committee has performed a comprehensive review of the new version and has proactively integrated its principles into our current compliance framework.

### **RJC Compliance Reporting:**

- A compliance report for the 2025-26 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 Version 9
- OECD Due Diligence Guidance

For the 2025-26 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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**Chairman of Compliance Committee**  
Mr. VIRAL P. LODHIYA

**Date : 24-04-2026**