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**PART A: REFINER'S DETAILS**

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Refiner's Name: Royal Canadian Mint  
Location: Ottawa, Ontario, Canada  
Reporting Year-End: December 31, 2017  
Date of Report: March 28, 2018  
Date of Audit Completion: March 31, 2018

Senior Management  
Responsible for this Report:



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Simon Kamel,  
Chief Anti-Money Laundering Officer

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## **PART B: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE**

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### **Step 1: Establish strong company management systems.**

**We have fully complied with Step 1: Establish strong management systems.**

The Royal Canadian Mint (hereafter "the Mint") has in place a corporate Responsible Metals Program and Anti-Money Laundering/Anti-Terrorist Financing and Know Your Customer Program, which are consistent with the requirements set forth by the London Bullion Market Association's *Responsible Gold Guidance*, and for the year 2017, voluntary *Responsible Silver Guidance*. The Mint has also established an internal management structure to support supply chain due diligence. This internal management structure enables communication and implementation of the program requirements, and monitoring of the supply chain due diligence program.

The Chief Anti-Money Laundering Officer has been designated as the Compliance Officer for the Responsible Metals Program. The Compliance Officer is responsible for providing independent oversight and support of the day-to-day execution of the Responsible Metals Program activities by the Bullion and Refinery, Tax and Compliance, and Mint Office employees. The Senior Program Manager, Compliance and the Director, Regulatory Affairs (Compliance) provide support to the Compliance Officer in fulfilling these obligations.

The Compliance Officer has delegated responsibilities to the Senior Program Manager, Compliance and the Director, Regulatory Affairs (Compliance). The Senior Program Manager is responsible for managing the program and ensuring its implementation in order to identify and assess the risk related to all suppliers of gold or silver-bearing refining deposits (hereafter "suppliers"). Where a material concern has been identified with respect to a supplier's activity, said concern is to be communicated by Mint employees to the Senior Program Manager, and to the Director, Regulatory Affairs (Compliance) and Compliance Officer accordingly. The Senior Program Manager, the Director, Regulatory Affairs (Compliance) and Compliance Officer ensure that the Senior Leadership Team and Board of Directors, where applicable, are also briefed regarding said concern.

The Mint has identified and recorded all suppliers, and maintains records containing supply chain information for each deposit refined. The Mint's refinery has a gold or silver-bearing material receiving process, and requires that specific documents be received, and transactional details entered into the system, before processing the gold or silver-bearing material. The receiving process includes obtaining written and signed declarations from each supplier for each and every deposit received, warranting that the material contained therein has been sourced responsibly and does not originate from illegal mining operations in internationally designated conflict areas. Furthermore, the existing supplier contracts contain a warranty from the supplier that material received does not derive from criminal activity. The Mint also maintains an updated supplier



contract template for use when entering into an agreement with a new supplier for refining services, or when an existing agreement is being renewed. The updated supplier contract template specifically makes reference to the OECD's principles for responsibly sourcing supply chain. This is supplementary to the warranty made by the supplier for each and every deposit.

The Senior Program Manager and Director of Regulatory Affairs (Compliance) ensure responsibilities and information pertaining to the program are communicated to Senior Management, and to the Mint employees who are responsible for the receiving and refining of refining deposits. They are supported by the Tax and Compliance team, the Bullion and Refinery team and the refinery's Mint Office team.

A training program is in place to inform these employees on an annual basis of their obligations under the Responsible Metals Program. In 2017, the Mint developed a draft production script for an online Responsible Metals Program training module that takes into account the LBMA's introduction of the *Responsible Silver Guidance* and the updated sixth version of the *Responsible Gold Guidance*. The fully bilingual online training module will launch in the first half of 2018 and will allow for a more comprehensive and consistent training across the corporation that takes into consideration different teams of employees supporting the Responsible Metals Program. The online training method will enable the Mint to maintain electronic training records, including the names of employees who completed the online training and respective dates of completion.

The Mint's refinery has communicated the Responsible Metals Program requirements to all suppliers, and has engaged with them to ensure that materials received by the Mint for processing have been sourced responsibly, and not from illegal mining operations located in internationally designated conflict areas. This has been done by having suppliers sign a warranty for each and every deposit sent to the Mint for processing. Additionally, the Mint has engaged with suppliers to obtain written confirmations of their Anti-Money Laundering (AML), Anti-Terrorist Financing (ATF) and Conflict Free Sourcing (CFS) policies, where available. The Mint has also engaged with all high-risk suppliers by way of conducting site visits to the suppliers' locations, whereby the Mint reviews and discusses the suppliers' AML/ATF/CFS policies and programs, and confirms business details previously provided by the suppliers.

Effective 2017, the Mint's Responsible Metals Program Guidance specifies that (i) as part of a site visit to a high-risk gold mine site the Mint will conduct sample due diligence over transactions, or the supplier's transaction records to ensure that the origin of gold is traceable within the supply chain, and (ii) follow-up site visit(s) for high-risk supply chains will be carried out within a reasonable timeframe, and the frequency of those will depend on the number and severity of issues identified in respect of the supplier.

## **Step 2: Identify and assess risk in the supply chain**

**We have fully complied with Step 2: identify and assess risk in the supply chain.**



The Mint has identified and assessed the risks for each of the suppliers. Each supplier is required to undergo the Mint's Know Your Customer due diligence process, and is subject to a risk assessment. The risk assessment encompasses risk indicators related to geography, nature of business, delivery channels, ownership, organizational structure, and other risk factors that the Mint deems relevant. Where the Mint maintains a relationship with a high-risk supplier, the Mint has implemented enhanced due diligence risk mitigation strategies and briefed Senior Management, the Senior Leadership Team and the Board of Directors accordingly.

The supplier due diligence process includes collecting and verifying the suppliers' business and financial details, verifying that the supplier and/or its beneficial owners are not on international money laundering and terrorist financing watch lists or listed as Politically Exposed Persons, obtaining trade reference information, and confirming that the suppliers maintain an active bank account with a financial institution. The Mint also requests copies of the suppliers' AML/ATF/CFS policies, as applicable. For new mining suppliers, the Mint conducts a mining capacity analysis where capacity information has been made available.

In the case of high-risk supply chains, in addition to assessing the suppliers, the Mint has conducted an assessment of the third-parties involved in the supply chain, namely the transportation companies used to transport the gold-bearing material to the Mint. Furthermore, for those high-risk suppliers who send the Mint material that has been sourced outside of North America, the Mint has performed a review of the suppliers' company details and site visits, and has conducted a country risk assessment to determine the risk associated with receiving material from the international site. In addition, the Mint conducts appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship for all suppliers rated moderate or high-risk.

All shipments of material received for processing are subject to inspection and validation that the material shipped conforms to the suppliers' previously established material type. The Mint Office employees verify that the required supporting documentation and written declarations have been received before the material is accepted for processing.

Should new information be made available about a given supplier at any time during the course of the business relationship, the Mint will review the possible impact to the supplier's risk assessment rating, and re-assess the level of risk as required.

Furthermore, the Mint maintains an anonymous whistle-blowing hotline available to all employees. This is a mechanism for employees to make anonymous disclosures relating to the Responsible Metals Program or to any other wrongdoing.

**Step 3: Design and implement a management system to respond to identified risks.**

**We have fully complied with Step 3: Design and implement a management system to respond to identified risks.**



The Mint has developed a response strategy to address identified risks. This strategy includes either (a) accepting the new supplier's application for services/continuing business with the existing supplier, as applicable, with treatment measures implemented to mitigate against the identified risk; or (b) suspending and/or terminating the new supplier's application, or suspending and/or terminating the relationship with the existing supplier, should the Mint deem that treatment measures would not sufficiently mitigate against the identified risk(s). The Mint has also revised its Responsible Metals Program documentation to clearly specify the circumstances in which the Mint would adopt a zero tolerance position and would immediately terminate the relationship with a given supplier.

Where the Mint has identified a risk, and where the Mint deems that treatment measures would sufficiently mitigate the identified risk, appropriate risk mitigation strategies are implemented. Mitigation strategies may include (but are not limited to):

- (i) Obtaining further details concerning the supplier's operations and AML/ATF/CFS program controls;
- (ii) Obtaining information regarding scheduled future development plans for said programs and controls;
- (iii) Conducting a documented site visit of the supplier's facility to validate the supplier's activities;
- (iv) Adopting an improvement plan for the supplier, devised with their input and engagement, with performance objectives to be substantially fulfilled within a reasonable timeframe;
- (v) Scheduling a follow-up and re-assessment of the supplier's activities, where the Mint will then re-assess its decision to continue maintaining its business relationship with the supplier based on the progress the supplier has demonstrated to-date.

The Mint's Responsible Metals Program documentation specifies the minimum required for enhanced due diligence measures that must be taken where a high-risk supply chain has been identified, as well as triggers and frequency of re-assessment.

**Step 4: Arrange for an independent third-party audit of the supply chain due diligence.**

**We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.**

The Mint's refinery has engaged the services of the assurance provider Ernst & Young LLP. Ernst & Young LLP conducted a reasonable assurance of the Mint's Responsible Metals Program and due diligence based on the *LBMA Responsible Gold Guidance* and



*Responsible Silver Guidance*, and using the ISAE 3000 standard. Their reasonable assurance report is attached to this Report as Annex A.

#### **Step 5: Report on supply chain due diligence**

**Royal Canadian Mint has fully complied with Step 5: Report on supply chain due diligence.**

This compliance report has been prepared in accordance with Step 5. Further information pertaining to how the Mint's gold and silver supply chain due diligence policies and practices align with the requirements of the *LBMA Responsible Gold Guidance* and *Responsible Silver Guidance* has been detailed on the Mint's website, [www.mint.ca](http://www.mint.ca). A public facing version of this report will also be made available on the website.

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#### **PART C: MANAGEMENT CONCLUSION**

**Royal Canadian Mint is in compliance with the requirements of the *LBMA Responsible Gold Guidance* and *Responsible Silver Guidance* as at December 31, 2017.**

In conclusion, as at December 31, 2017 the Mint's refinery has in place policies, management systems, procedures, processes and practices consistent with the requirements set forth in the *LBMA Responsible Gold Guidance* and *Responsible Silver Guidance*.

The Mint is committed to ensuring it meets its social responsibilities and regulatory requirements, and will continue to review and update its internal controls on an ongoing basis. This includes continuing the implementation of ongoing program improvement initiatives and industry best-practices in 2018.

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#### **PART D: OTHER REPORT COMMENTS**

If users of this report wish to provide any feedback to the Mint with respect to this report, they can contact the Compliance Officer at [kamel@mint.ca](mailto:kamel@mint.ca), the Director of Regulatory Affairs (Compliance) at [kniewasser@mint.ca](mailto:kniewasser@mint.ca), or the Senior Program Manager at [sudzum@mint.ca](mailto:sudzum@mint.ca).



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**ANNEX A – ASSURANCE STATEMENT**

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## Independent Reasonable Level Assurance Report

To the Board of Directors and Management of the Royal  
Canadian Mint

We have carried out a reasonable assurance engagement on Royal Canadian Mint's (the "Mint") Compliance Report (the "Report") for its refinery for the year ended 31 December, 2017.

### Subject matter and criteria

The subject matter consists of the Report, which includes a description of the Mint's responsible metals program that has been designed and implemented in accordance with the London Bullion Market Association ("LBMA") Responsible Gold and Silver Guidance (the "Guidance"). Our review assessed the design effectiveness of the Mint's program in meeting the requirements of LBMA.

The criteria used to evaluate the subject matter consisted of the relevant information contained within the Guidance.

### Royal Canadian Mint management responsibilities

The management of the Mint is responsible for the preparation and presentation of the Report in accordance with the Guidance. This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by management as relevant for demonstrating compliance with the Guidance are the activities described within the Report.

### Our responsibilities

Our responsibility is to carry out a reasonable level assurance engagement and to express a conclusion based on the work performed. Our assurance engagement has been planned and performed in accordance with the International Standard on Assurance Engagements ISAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* and the guidance set out in the *LBMA Responsible Gold and Silver Program - Third Party Audit Guidance for ISAE 3000 Auditors* (the "Audit Guidance").

Our procedures were designed to obtain a reasonable level of assurance on which to base our conclusions.

This report has been prepared for the Mint for the purpose of assisting management in determining whether the Mint's Refinery has complied with the Guidance and for no other purpose. Our assurance report is made solely to the Mint in accordance with the terms of our



engagement. We do not accept or assume responsibility to anyone other than the Mint for our work, or for the conclusions we have reached in the assurance report.

#### Inherent limitations

Non-financial information, such as that included in the Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by each gold and/or silver refiner to comply with the Guidance may differ.

#### Independence and competency statement

In conducting our engagement, we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the Audit Guidance to carry out the assurance engagement.

#### Conclusion

In our opinion, the Mint's Report, in all material respects, describes fairly the Mint's activities with respect to the responsible metals program at its Ottawa Refinery and management's conclusion contained therein, for the assessment period 1 January 2017 to 31 December 2017, which have been designed and implemented in accordance with the requirements of the *LBMA Responsible Gold and Silver Guidance*.

*Ernst & Young LLP*

Chartered Accountants  
Licensed Public Accountants

Toronto, Canada  
28 March, 2018