

# Royal Canadian Mint

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Summary of the 2015-2019 Corporate Plan & 2015  
Capital Budget

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## Executive Summary

The Royal Canadian Mint (RCM) is a commercial Crown corporation producing circulation, numismatic and bullion coins for the domestic and international markets. Economic Action Plan 2014 announced proposed changes to the Royal Canadian Mint's legislated mandate and governance to align its activities with the Government's objective of ensuring a cost-effective supply of coins for Canadians. Specifically Economic Action Plan 2014 Act, No. 2, amended the *Royal Canadian Mint Act* to eliminate the anticipation of profit by the Royal Canadian Mint with respect to the provision of goods and services to the Government of Canada including the minting of circulation coins. The results of this change have been reflected in this Corporate Plan. It also operates full-service gold and silver refineries, storage facilities and precious metal exchange traded receipts. In 2013, its revenues were 82% export based.

The RCM operates in the volatile global metals markets. Consequently metal cost and exchange rate variation can have a significant effect on the RCM's results. Currency and metal hedging programs are initiated to protect short term results. Long term currency and metal variation can impact results. The RCM anticipates that continued economic expansion and an easing Canadian dollar relative to the U.S. dollar will continue to support its profitability objectives. The RCM continues to invest in capital equipment, optimizing production lines, enhancing environment, health and safety and upgrading information technology infrastructure across the Corporation.

The Mint's core mandate is to produce and manage the distribution of Canada's circulation coinage and provide advice to the Government of Canada on all matters related to coinage. Since the federal government announced the phasing out of the penny from Canada's coinage system, the Mint has also been working to ensure an orderly and cost-effective penny recovery program. The distribution of circulation coins in Canada is managed through the National Coin Committee (NCC). Through its commitment to R&D the RCM is enhancing the security and integrity of the coins through the implementation of advanced features such as virtual imaging laser marks and edge lettering. The Canadian circulation commemorative coin program continues to celebrate Canada's history, culture and values and allows Canadians to connect to their past by delivering compelling themes. The Alloy Recovery Program (ARP) continues to be a revenue source for the RCM although subject to the current prices of nickel and as expected a diminishing supply of alloy coinage to process.

The RCM's foreign business line operates within the context of intense competition from other Mints. The business line manages the Mint's foreign relationships, opens new markets to the Mint's products and offers services covering all facets of coin design, production, innovation and management. The business line remains confident that its strategies to optimize the SM@RT (Secure Modern and Resistant Technology) marketing platform, ongoing investments in R&D

and the creation of the new Centre of Excellence position it for success and in particular, as confidence in the global economy increases.

The numismatic collectibles and medals business line merge the art and science of minting to create products of extraordinary beauty and impeccable craftsmanship. Through imaginative product development and sales and marketing strategies, and by paying careful attention to healthy secondary markets, the Mint has created revenue growth at a rapid pace. In fact the RCM has more than doubled its sales in the span of just 3 years. Innovative technology enhancements such as holograms, selective plating and painting create exceptional products that attract new customers and differentiate RCM product against competition.

The Bullion, Refinery and ETR Business Line is underscored by a diversification strategy providing revenue streams in varying economic scenarios. Demand for bullion is heavily influenced by commodity markets, consequently the RCM continuously strives to meet demand participating in both actual and electronically-traded bullion markets (through its Exchange Traded Receipt). The RCM is also focussed on precious metal storage services using its reputation for high security as a selling feature and leverages its internal refinery as an important vertical integration capability.

Through its research and development efforts, the Corporation has made great progress in advancing the MintChip™ concept as an innovative, cost effective and secure digital cash product. The Mint's research and development efforts on MintChip have reached a stage where the project is ready to move to its natural next step of commercialization in the private sector. The RCM is focused on recouping the value of its intellectual property assets through divestiture or other appropriate wind-down scenarios. The RCM intends to divest of its MintChip assets in 2014-2015 subject to the terms and conditions of a sale approved by the Minister of Finance.

The vision of the Mint is to be the “best mint in the world”. The RCM is arguably the most diversified of any mint in the world and has strong and established relationships with customers. Building on its success and these strengths, this Corporate Plan and the accompanying strategies form the direction that management will pursue. These strategies are continuously evaluated and in particular at the annual strategic planning meeting between the Board of Directors and Senior Management which initiates the development of the Corporate Plan.

## 1. Introduction

The 2015-2019 Corporate Plan of the Royal Canadian Mint has been developed to guide the Corporation in fulfilling its mandate over the next five-year planning period. This document reiterates the vision, mission and values of the RCM.

Through this plan, the RCM is committed to the key strategic objectives that are most crucial to achieving its vision and links these strategic objectives to operational objectives.

### *Significant Changes from the 2014-2018 Corporate Plan*

The fundamental business strategies of the RCM have not changed from the 2014-2018 Corporate Plan, with the exception of ensuring adherence to recent amendment to the *Royal Canadian Mint Act* that eliminated the anticipation of profit by the Royal Canadian Mint with respect to the provision of goods and services to the Government of Canada including the minting of circulation coins. The results of this change have been reflected in this Corporate Plan. The global economy is anticipated to be in a modest growth mode with lower US priced markets for precious metals, higher US prices for nickel with a weaker Canadian dollar. The prospect of risk in financial markets and the above noted factors can lead to significant fluctuation in the RCM's results. In spite of the external environment the RCM continues to develop relationships, invest in capital and pursue its objectives vigorously. As a diversified business with multiple sources of revenue, the RCM remains ready to achieve its objectives within the context of the updated environment anticipated in the 2015-2019 Corporate Plan.

### *Roles & Responsibilities*

The RCM produces circulation and non-circulation coins for Canada, manages the domestic coinage system, and provides advice to the Minister of Finance on all matters related to coinage. It also produces and markets bullion and related refinery products and services for profit and produces coinage for other countries. In doing so, the RCM envisions its brand pillars of pride, trust and innovation as guiding principles.

### *Vision*

To be the Best Mint in the World.

## *Mission*

The Royal Canadian Mint is a world-class provider of branded investment, collectible and circulation coin products and services that connect people and inspire celebration.

## *Values*

In 2013, to support its vision to be the best Mint in the world, the Mint began holding a series of focus groups with a cross-section of employees to review its corporate values. This exercise culminated in a repositioning of the RCM's stated values:

- Honesty, Respect, Pride and Passion.

## *Corporate Profile and Governance*

### Legislative Powers

The legislative framework governing the RCM consists primarily of the *Royal Canadian Mint Act* and the *Financial Administration Act*. The *Royal Canadian Mint Act* prescribes the general objective for the RCM, which is to mint coins in anticipation of profit and to carry out other related activities. Economic Action Plan 2014 announced proposed changes to the Royal Canadian Mint's legislated mandate and governance to align its activities with the Government's objective of ensuring a cost-effective supply of coins for Canadians. In particular *Economic Action Plan 2014 Act, No. 2*, amended the *Royal Canadian Mint Act* to eliminate the anticipation of profit by the Royal Canadian Mint with respect to the provision of goods and services to the Government of Canada including the minting of circulation coins. The results of this change have been reflected in this Corporate Plan.

To fulfill its mandate, the RCM possesses the rights, powers, privileges and capacity of a natural person and may, in particular:

- procure the incorporation, dissolution or amalgamation of subsidiaries, and acquire or dispose of any shares in them;
- acquire and dispose of any interest in any entity by any means; and
- generally do all things that are incidental or conducive to the exercise of its powers with respect to:
  - coins of the currency of Canada;
  - coins of the currency of countries other than Canada;
  - gold, silver and other metals; and
  - medals, plaques, tokens and other objects made or partially made of metal.

In addition, the *Act* specifies the RCM's governance structure and the approval process for determining the characteristics (including designs) of circulation and non-circulation coins, and the issuance of these coins.

The RCM is designated a Schedule III – Part II Crown Corporation under the *Financial Administration Act*. The RCM operates under the general direction of its Board of Directors. The Governor in Council appoints the RCM's Chair and President and CEO. Other Board members are appointed by the Minister responsible for the RCM with the approval of the Governor in Council. The RCM reports to Parliament through the Minister of Finance.

Section 138 of the *Financial Administration Act* requires the RCM to have a special examination carried at least once every 10 years. In 2013 a special examination was performed by the Office of the Auditor General. The special examination found there were no significant deficiencies in the Royal Canadian Mint's systems and practices that were selected for examination. It also noted the RCM has maintained these systems and practices in a manner that provides it with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

The OAG findings in the report that supported the above opinion included the following:

*“Corporate governance. We found that the Corporation has many elements of a good governance framework that meets the expectations of best practices in board stewardship, shareholder relations, and communications with the public.*

*Strategic direction. We found that the Corporation specifies strategic direction and, overall, has specific and measurable goals and objectives to achieve its mandate. The Corporation has a sound enterprise risk management policy, but it cannot demonstrate that the policy has been implemented systematically, especially at its business line and divisional levels. At the corporate level, the Corporation monitors, measures, and reports on the achievement of its goals, objectives, and mandate. We noted that the development of a corporate social responsibility framework has been slow and that, consequently, specific corporate targets and performance measures have not yet been established.*

*Human resource management. Generally, we found that the Corporation has systems and practices in place to manage human resources in a manner that provides it with the human resource capacity and the work environment needed to achieve its goals and objectives. However, we noted that certain systems and practices need further development and that the Corporation should improve its workforce planning.*

*Manufacturing operations and supporting practices. We found that the Corporation has manufacturing systems and practices that are designed, implemented, and monitored in a manner that safeguards and controls assets, enables economical and efficient use of resources, and results in effective operations and the achievement of its mandate. However, we also found a number of supporting practices that should be improved:*

- *We noted that certain corporate cost-allocation practices do not accurately reflect the costs of some activities for business lines and could, therefore, adversely affect pricing and decision making.*
- *In the management of the Foreign Coinage business line, we found that systems and practices related to business development should be strengthened. These include articulating the sales strategy, improving the costing system for bid quotations, and capturing and incorporating intelligence gained during sales trips. The Corporation should also improve its systems and practices related to the analysis of lessons learned on selected projects.*

*We also noted the following areas of particular concern:*

- *We found that some procurement and contracting activities for goods and services not related to metals lack sufficient guidance, and that weaknesses in existing controls expose the Corporation to various risks.*
- *We found that documentation related to travel and hospitality activities did not provide sufficient information to assess whether related expenses were reasonable. We also found that key controls for managing these activities were not operating effectively.*

**Research and development.** *We found that the Corporation identifies and selects research and development activities to support achieving its objectives within the scope of its mandate. Nevertheless, we noted that project selection and management of the Research and Development Division require more formalization, including establishing an operational plan to set measurable goals and objectives for Division-specific activities. We also noted that existing processes focus on the technical delivery of products and technologies and do not place significant emphasis on financial modelling, which would help optimize the use of corporate resources.*

**Health, safety, and the environment.** *Overall, we found that the Corporation is focusing on addressing environmental compliance requirements. The Corporation has recently identified and assessed its environmental risks as part of its effort to develop an environmental management system (EMS). As the EMS is still in development, the Corporation needs to evaluate comprehensively whether existing programs and operational controls appropriately mitigate all those risks. We found that systems and practices to mitigate occupational health and safety risks pertaining to the handling of hazardous substances and certain specialized equipment are in various stages of development and implementation. We found that the Corporation's practices related to hazardous chemicals are generally sound. However, those that apply to radiation safety are less advanced, as radiation safety guidance and training have yet to be provided and administrative requirements are yet to be completed. We also found that the Corporation has identified and is now addressing several key gaps related to compliance with applicable health and safety laws and regulations. We note that the Corporation needs to ensure that its health, safety, and emergency response systems and practices identify and address all remaining risks, and that it needs to establish a systematic monitoring regime.*

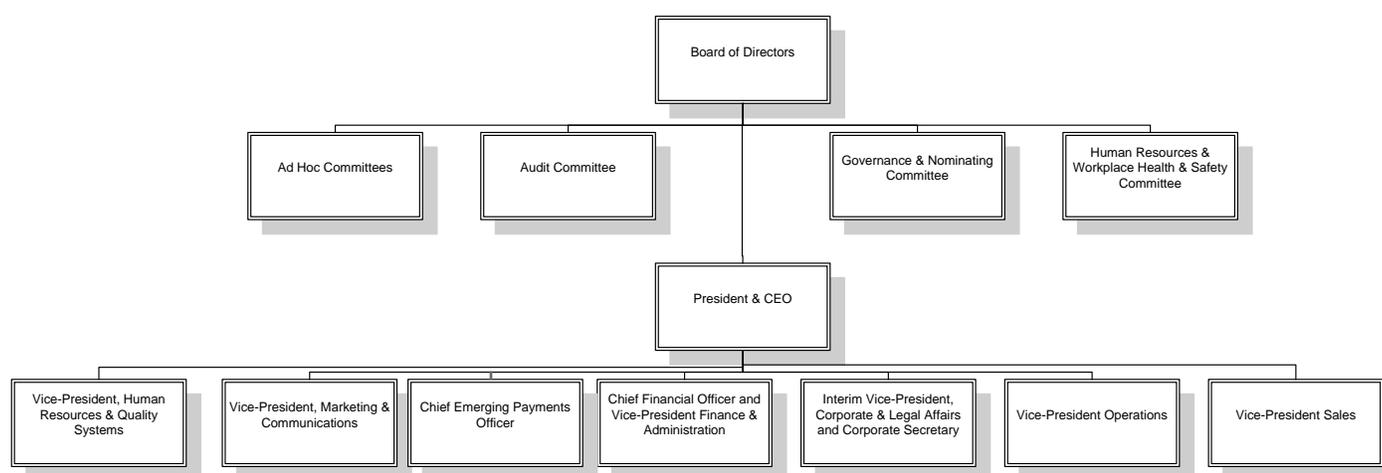
### ***Findings, recommendations, and responses***

*The rest of this report provides an overview of the Corporation and more detailed information on the examination findings and recommendations. The RCM agrees with all of the recommendations and findings. Its detailed responses follow the recommendations throughout the report.”*

The RCM has developed an action plan to meet all recommendations in the report. The full 2014 Special Examination Report is posted on the RCM’s website.

### ***Governance***

#### **Organizational Structure of the RCM – Board of Directors & Senior Executive Officers**



### **The Board of Directors**

The Board of Directors has overall responsibility for the supervision of the management of the Mint’s business and affairs, and exercises its duty with a view to the best interests of the Mint and the long-term interests of its sole shareholder, the Government of Canada. The Board holds management accountable for the Mint’s business performance and achievement of objectives. To fulfill its responsibilities, the Board establishes and approves the Mint’s strategic direction through a five-year business plan, and reviews and approves major strategies and initiatives. It

exercises due diligence duty by assessing risks and opportunities, monitoring financial management and corporate performance, ensuring the integrity of financial results and providing timely reports to the Government of Canada.

The Board adheres to the federal *Conflict of Interest Act* and the Mint's Code of Conduct. Each year, directors are required to sign the Directors' Declaration of Conflict of Interest Statement of the Mint to confirm understanding of their obligations and to declare any real, potential or apparent conflicts of interest. They must also declare any conflicts that arise during the year and withdraw from any Board or committee discussions, as appropriate.

The Board consists of a range of 9 to 11 directors, including the Chair and the CEO. Both the Chair and the CEO are appointed by the Governor in Council. The other directors are appointed by the Minister responsible for the Mint with the approval of the Governor in Council. Directors are appointed for terms of up to four years and may be reappointed.

### **Board of Directors Meetings**

The Mint's Vice-Presidents are invited to attend Board meetings as this contributes to a more effective relationship between management and the Board by fostering a shared understanding and enhanced decision making. Other management also attend the regular Board meetings, as well as the Board strategic and corporate planning sessions, on an as-needed basis and for succession-planning purposes.

Meetings are generally held in Ottawa and may be held outside the National Capital Region, and once a year, the Board meets in Winnipeg. To promote interaction between the Board and employees, events or meetings with employees are organized, where possible, at both the Ottawa and Winnipeg facilities.

With the exception of the President and CEO, all directors are independent of management. The Chair is an ex-officio voting member on all committees; the President and CEO is also an ex-officio voting member of all standing committees with the exception of the Audit Committee, which she attends as an observer. All members of the Board serve on at least one committee.

An *in camera* session is usually held at each regular Board meeting. The President and CEO, who is also a director, participates in these sessions unless the matter concerns her performance, evaluation or compensation. Following the meeting and as appropriate, the Board Chair debriefs the President and CEO and the Corporate Secretary if they were not in attendance.

On occasion and where appropriate, matters are elevated to the full Board for discussion rather than being dealt with at the committee level.

## **Standing Board Committees**

The Board currently has the following standing committees to assist it in fulfilling its oversight responsibilities more effectively and each committee makes recommendations to the Board with respect to matters under its purview. The committees are governed by Board-approved terms of reference or charters.

The **Audit Committee** helps the Board fulfill its mandate on financial matters. All members are independent of management and financially literate with two members having a professional accounting designation. The Audit Committee oversees and assesses the Mint's financial performance against its Corporate Plan and ensures the integrity, effectiveness and accuracy of its financial reporting and corporate control systems. The Committee also reviews and monitors project proposals and business cases, internal and external audits, and the Mint's risk management framework. The Director of Internal Audit reports directly to the Committee and administratively to the President and CEO. The Audit Committee holds an *in camera* discussion at all regular meetings, conferring privately with the internal auditor and the Auditor General of Canada, and then only the independent committee members.

The **Governance and Nominating Committee** provides guidance on matters of corporate governance and strives to adopt best practices with a view to achieving excellence in governance. It assesses elements that facilitate Board effectiveness: the performance evaluation of the Board and its other committees; the orientation and continuing education programs for directors; the regular review of corporate policies and other policy documents; and matters related to the Mint's compliance with the *Privacy Act*. It also reviews the Board's competency profile and selection criteria for new appointments and reappointments, and makes recommendations to the Board. The Committee holds an *in camera* session, with the President and CEO in attendance, as required.

The **Human Resources and Workplace Health and Safety Committee** advises the Board on human resources policies and practices, including recruitment, development and retention, compensation policies and labour-relations issues. It sets the President and CEO's annual performance objectives and goals, and then evaluates her performance against these objectives and goals. The Committee also oversees the Corporation's occupational health and safety policies, programs, practices and performance. During the meetings, the Committee discusses sensitive matters *in camera* usually with the President and CEO in attendance, with the exception of topics related to her performance and compensation.

### **Ad Hoc Board Committees**

From time to time, the Board of Directors establishes special committees to examine particular issues of interest. These are dissolved once they have fulfilled their mandate.

### **Board Education and Evaluations**

New directors are oriented to the Mint and its businesses through briefings by senior management, comprehensive briefing materials, tours of the Ottawa and Winnipeg facilities (including in-depth presentations on the facilities' operations) and regular updates on the business lines at Board meetings. To gain an understanding of the global environment in which the Mint operates, directors also attend select industry-related trade shows and conferences in Canada and abroad.

Continuing education ensures that the Board upholds its commitment to best governance practices. Directors and officers are encouraged to identify relevant training and educational opportunities, and to obtain their director accreditation. Since 2010, four directors have received their certification.

The Board conducts a self-evaluation on its performance each year and the performance of committees is assessed every second year. The results from completed written questionnaires, which rely on qualitative responses to identify issues and improvements, are discussed at committee and/or Board meetings. The chair provides feedback on the Board's self-evaluation to management and a high-level summary of the discussions is shared with the Minister responsible for the Mint.

### **Communications with Stakeholders and Outreach Activities**

On an ongoing basis, the RCM engages in numerous activities to: promote transparency, accountability and accessibility; communicate its mandate, vision and activities; solicit feedback; and engage stakeholders in decision making. These include:

- Meeting annually with numismatic and bullion dealers and distributors—and with foreign representatives—to inform them about RCM products and activities and gather feedback to help shape marketing and product strategies.
- Chairing quarterly meetings of the National Coin Committee (comprised of representatives from Canadian financial institutions, armoured car carriers and the Canadian Bankers Association) to ensure economic demand for circulation coins is being met and that stakeholder concerns are considered when developing new technologies.

- Participating in the Canadian and American Numismatic Association trade shows, the World Money Fair, and the Mint Directors' Conference—all attended by many RCM customers, dealers and distributors.
- Inviting the public and customers to attend circulation coin launches.
- Seeking customer and public feedback through annual satisfaction surveys, focus group testing, public opinion research and regular market research.
- Providing general feedback mechanisms through its website, Facebook and Twitter and 1-800 call centre.

The Mint held its fourth annual public meeting last October at the Royal Canadian Legion House in Kanata, Ontario. On this occasion, it unveiled a silver coin marking the 50th anniversary of Canadian Peacekeeping in Cyprus and outlined its upcoming commemorations for the First and Second World Wars in 2014 and beyond.

Community organizers may contact the President and CEO's office if they wish to invite a Board member to speak at an event.

### **Corporate Committees**

Chaired by the President and CEO, the RCM's **Executive Committee** reviews corporate strategies, business cases and corporate policies, and assesses other operational matters. All matters going forward to the Board are presented at this management committee, which consists of the President and CEO, the Vice-presidents, the Director of Internal Audit as well as other Directors representing various divisions. The meetings are held regularly to consider and approve proposals going forward to the Board or its committees.

The President and CEO and the Vice-Presidents also meet regularly to discuss significant and sensitive operational matters.

## **The RCM and Government Priorities**

In addition to fulfilling its own mandate, the RCM contributes to the following government priorities

### **Economic affairs**

#### *A Strong Economy:*

The domestic currency system. The RCM is responsible for the production and distribution of circulation coinage to meet the needs of Canadians. The RCM provides advice to the Minister of Finance on all coinage matters and ensures the continuous coinage availability across Canada to meet the needs of trade and commerce. In doing so, the RCM also manages important government initiatives such as the elimination of the penny.

### **Social Affairs**

#### *A vibrant Canadian Culture and heritage:*

The RCM celebrates the culture and events of Canada through its coins and medals. Its commemorative coin program and numismatic program continues to celebrate Canada's history, culture and values and allows Canadians to connect to their past by delivering compelling themes. Notable recent commemorations include the Vancouver 2010 Olympic and Paralympic medals, the 100th anniversary of a historic Arctic expedition and life in Canada's North and the commemoration of the War of 1812.

### **International affairs**

#### *A prosperous Canada through international commerce:*

The RCM competes in global markets. The RCM has most popular gold bullion coin and second most popular silver bullion coin globally. In addition The RCM produces circulation and numismatic coins, blanks, medals, medallions and tokens for customers around the world. It also offers services covering all facets of circulation and numismatic coin design, production, innovation and management. In 2013 82 % of RCM revenues were export based.

## 2. Planning Environment

Over the planning period and principally in the short term, the RCM expects the global economic expansion<sup>1</sup> will strengthen from 2.9% in 2014 to 3.6% in 2015. The United States will lead major advanced economies with growth of 3.1% for 2015 with continuing slow growth in the Euro Area and in Japan. Canadian growth is expected to expand by 2.4% in 2015. The forecast also calls for continued strength in major emerging economies led by China at 7.0%. The RCM anticipates declining gold and silver prices, higher nickel prices and the Canadian dollar to be weaker than the U.S. dollar. The organization undertakes numerous initiatives. Those listed in the 2015-2019 Corporate Plan to support the strategic objectives are considered the most critical. Progress towards these initiatives is continually evaluated throughout the planning period. The RCM's resource requirements match the anticipated business levels identified in this plan and support the long term sustainability of the RCM. These include assets, personnel, materials, and support structure requirements.

### *External Business Environment*<sup>2</sup>

#### The Canadian Economy – 2014/2015 Forecast

It is anticipated that the Canadian economy will expand by 2.2% in 2014 and 2.4% in 2015. Inflation is expected to be approximately 2% in 2014/2015.

The Canadian dollar has been averaging \$1.09 to the US dollar in 2014. In 2015, the RCM is using a planning average of \$1.12 CAD to \$1.00 USD.

#### The US Economy – 2014/2015 Forecast

It is anticipated that the American economy will grow at 1.6% in 2014, with an increase to 3.1% in 2015. Inflation is expected to be 1.5% in 2014 and 1.8% in 2015.

#### The International Economic Outlook – 2014/2015 Forecast

The world's economy is expected to expand by 2.9% in 2014 and 3.6% in 2015. Emerging markets and developing countries will have a projected growth rate of 4.8% in 2014 and 5.0% in 2015.

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<sup>1</sup> Bank of Canada Monetary Policy Report July 2014

<sup>2</sup> The RCM references a variety of sources including the International Monetary Fund, the Bank of Canada and large financial institutions.

China is expected to grow at 7.2% in 2014 and 7.0% in 2015. India is expected to achieve growth rates of 5.6% and 6.6% in 2014 and 2015.

Japan's economy is expected to expand in 2014 at 1.3%, and grow 1.2% in 2015 and Europe is forecast in 2014 to grow by 0.9% and 1.4% in 2015.

### Gold and Silver Trends

Forecasts for 2015 have gold and silver to be lower in US funds than 2014 planned levels.

	<i>2015</i>	<i>2015</i>	<i>2014</i>	<i>2014</i>
	<i>USD</i>	<i>CDN</i>	<i>USD</i>	<i>CDN</i>
Gold (per oz)	\$1,270.00	\$1,422.40	\$1,320.00	\$1,384.81
Silver (per oz)	\$20.40	\$22.85	\$22.00	\$23.08

### Base Metal Price Trends

In 2015 it is anticipated the prices of base metals will increase in US funds, with copper slightly decreasing.

	<i>2015</i>	<i>2015</i>	<i>2014</i>	<i>2014</i>
	<i>USD</i>	<i>CDN</i>	<i>USD</i>	<i>CDN</i>
Nickel (per KG)	\$19.40	\$21.73	\$14.20	\$14.90
Copper (per KG)	\$6.84	\$7.66	\$7.05	\$7.40
Zinc (per KG)	\$2.29	\$2.56	\$2.05	\$2.15
Steel (per KG)	\$1.10	\$1.23	\$1.05	\$1.10

## *Planning factors for the RCM*

The RCM operates in the volatile commodity and currency markets and is aware that changes in external factors can affect the gross profit prospects for each business line. Consideration of these factors allows the RCM to assess their impact. In developing its 2015-2019 Corporate Plan, the RCM considers market, industry and public sector sources to gather market insight and then selects a rational estimate point which is considered more of a planning hypothesis than forecast.

Evidence of these markets' volatility includes:

### Gold Prices

- Between 2004 and 2013, the price of gold fluctuated from a low of \$375 US in 2004 to a high of \$1,895 US in 2011, while averaging \$990 US over the 10 year period.
- At the time of writing in 2014, gold has averaged \$1,290 US after opening the year at \$1,225 US and reaching a high of \$1,385 US in March.

Foreign Exchange rates:

- Over the past 10 years, the Canadian dollar averaged \$1.08/\$1.00 US, with a high of \$1.33/\$1.00 US in 2004 and a low of \$0.92/\$1.00 US in 2007.
- At the time of writing in 2014, the Canadian dollar has averaged \$1.09/\$1.00 US against an RCM planning estimate of \$1.049/1.00 US.

### **Gold prices 4% lower, silver prices 7% lower than 2014-2018 Corporate Plan**

In the 2015-2019 Corporate Plan, the RCM is anticipating both gold and silver to fall from the levels planned in the 2014-2018 Corporate Plan.

Gold Maple Leaf coins can be sold at either a flat rate in US funds or as a percentage of metal price. An increase or decrease in the price of gold from the forecast rates may impact premium revenues. This can be offset should the US dollar gain in strength relative to the budget level. Silver Maple Leaf coins are sold in US funds at a flat rate and not as a percentage of the metal price. Consequently profits for Silver Maple Leaf coins are not impacted by US denominated metal prices but will be higher due to an updated planning assumption of a strengthened US dollar of \$1.12 CAD to \$1.00 USD.

For the refinery, declining gold and silver value is an unfavourable development. Metals retained from the customer after the refining process form part of the RCM revenue base, which

correspondingly decreases as precious metal prices decline. A weaker Canadian dollar will mitigate this effect. While lower, historically high precious metals prices will keep mines operating. The refining demand for scrap material tends to be more dependent on increasing prices.

Annually, the RCM hedges its numismatics' gold and silver requirements, a key component of the cost of goods sold, for this Business Line. While the hedged positions can secure material prices in the short term, the prospect of historically high precious metal input costs, such as those that have been experienced since 2006 may lead to decreased gross profit for the RCM. The RCM is able to manage any potential cost increases through its pricing structure and makeup of its product configuration.

### **Base metal prices**

#### **Non ferrous metals range from 3% lower to 37% higher than 2014-2018 Corporate Plan**

#### **Steel strip 5% higher than 2014-2018 Corporate Plan**

In the 2015-2019 Corporate Plan, the RCM is anticipating:

- **Non-Ferrous**
  - Nickel prices to be approximately 37% higher
  - Copper prices to be approximately 3% lower
  - Zinc prices to be approximately 12% higher
- **Ferrous**
  - Steel Strip prices to be 5% higher

Overall, higher nickel prices increase revenue on the Alloy Recovery Program (ARP). A weaker Canadian dollar serves to increase these US based revenues.

While nickel has trended down from its record high prices in 2007, the ongoing price differential between nickel/copper alloys and steel continues to provide significant financial justification for customers to consider the use of the RCM's cost-effective multi-ply plated steel process versus traditional alloy coins.

To ensure stable revenue and cost flows, the RCM annually hedges or secures planned base metal transactions for its ARP, Canadian Circulation and Foreign Coin programs.

### **Canadian Dollar – declining from the 2014-2018 Corporate Plan**

In the 2015-2019 Corporate Plan, the RCM is anticipating the Canadian dollar will be \$1.12, weaker than the \$1.049 forecast in the 2014-2018 Corporate Plan.

Canadian dollar movement has a mixed effect on the RCM.

#### **Negative Impact**

Like all Canadian exporters, a stronger Canadian dollar impacts negatively on the competitive outlook for the Bullion, Refinery and ETR, and Foreign business lines since Canadian labour costs will rise on a comparative basis.

As metals are denominated in US funds, purchases of inputs for coinage become more expensive in Canadian funds with a weaker Canadian dollar.

#### **Positive impact**

The Canadian dollar weakening increases the effective return from US-based revenues such as Gold and Silver Maple Leaf products, foreign coin and numismatic products sold outside of Canada.

While the RCM does hedge its known exposures in foreign currencies, the longer term trend and direction of the Canadian dollar does impact its financial results.

### **Canadian and International Economic Outlook – Modest recovery with risk in Europe**

In the 2015-2019 Corporate Plan, the RCM is anticipating:

- Canadian growth to be 2.4% compared to 2.7% in the 2014-2018 Corporate Plan
- US growth to be 3.1% compared to 3.1% in the 2014-2018 Corporate Plan
- Europe to be 1.4% compared to 0.8% in the 2014-2018 Corporate Plan
- Emerging markets to be 5.0% compared to 5.4% in the 2014-2018 Corporate Plan

With modest growth forecast for Canada in 2015, it continues to provide adequate market conditions for numismatics which are regarded as discretionary purchases. The stronger recovery in the United States will support the Numismatics, Collectibles and Medals Business Line with a weaker outlook for its smaller European market.

With continued global growth, it is anticipated there may be less momentum for investors to purchase bullion. In its recent history, the RCM has seen bullion sales levels increase in relation to economic uncertainty. Broad based and long term economic stability can lead to less demand for metal holdings. Should investors sell their Gold Maple Leaf and Silver Maple Leaf products, this would directly lower the demand for newly minted bullion coins.

The continued growth in emerging markets can provide a supportive environment for foreign coinage demand associated with increased economic activity.

### *RCM Major Strategic Objectives*

In 2013, the RCM recorded the highest revenue year in its history and realized a decade of continuous profitability. The vision of the RCM is **to be the best mint in the world**. This vision is a corporate philosophy that underlies all of the operations and activities of the RCM and is supported by four major strategic objectives.

The first strategic objective is for the RCM *to generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM*. This strategic objective takes into account that the RCM is committed to optimizing its profitability within its legislative framework.

The second strategic objective is for the RCM *to meet or exceed customers' expectations for quality, service and value*. This strategic objective clearly identifies the importance that the RCM places on customers and their satisfaction with the RCM's products and services.

The third strategic objective is for the RCM *to enhance employee satisfaction, engagement and well-being*. This strategic objective underlines the RCM's belief that its employees are its most valuable asset and that the pride and satisfaction they take from being employees of the RCM will enable its long-term success.

The fourth and final strategic objective is for the RCM *to apply best practices in corporate social responsibility by balancing economic, environmental and social factors while addressing shareholder and stakeholder expectations*. This underscores the emphasis that the RCM places on its responsibility to its shareholder, and to society, as a commercial Crown Corporation of the Government of Canada.

Collectively, these four major strategic objectives will focus the RCM's efforts on delivering value to its customers, employees, the Government of Canada and Canadian society whilst generating a commercial return.

### **Enterprise Risk management**

The RCM's business environment is subject to competitive forces, economic conditions and volatility in financial and commodity markets. The diverse markets in which the RCM's business lines operate present a variety of risks to future performance. However, the diversity of the Mint's business activities is a positive factor in the overall organizational risk profile.

In establishing the corporate plan, the Enterprise Risk Management (ERM) process assists in the identification and assessment of the relevant risks for the planning period. Through this process, the Mint evaluates risks and the potential impact on strategies and corporate targets over the five year time horizon for the corporate plan.

The Mint's enterprise risk profile is renewed at the beginning of each year. This risk profile is utilized in the planning process and reported to the Board of Directors through the Audit Committee, where responsibility for risk oversight resides.

Quarterly executive meetings review performance by business lines to assess opportunities and risks to achieving plan objectives, and to identify necessary adjustments. Adjustments may be made to the risk profile intra-year to reflect the changing risk environment.

The following risks have been identified as particularly relevant in the establishment of the corporate plan.

### **Mandate and shareholder objectives**

The Mint is a Crown corporation solely owned by the Government of Canada governed under a legislative framework that consists primarily of the *Royal Canadian Mint Act* and the *Financial Administration Act*.

Economic Action Plan 2014 announced proposed changes to the Royal Canadian Mint's legislated mandate and governance to align its activities with the Government's objective of ensuring a cost-effective supply of coins for Canadians. In December 2014 Economic Action Plan 2014 Act, No. 2, amended the *Royal Canadian Mint Act* to eliminate the anticipation of profit by the Royal Canadian Mint with respect to the provision of goods and services to the Government of Canada including the minting of circulation coins.

### **Precious metal investment demand**

The demand for precious metal investment products, including bullion, is largely determined by market forces beyond the Mint's control. This risk is managed through active monitoring of market conditions to quickly and efficiently align operations and capacity. The risk is mitigated through diversification of business activities beyond core bullion products, such as the launch in 2011 of Canadian Gold Reserves ETRs and Canadian Silver Reserves ETRs in 2012; expanding

precious metal storage; new custom bullion products and entry into new markets. In recent years the strong bullion market has positively impacted the Mint's financial results. The unpredictability of this market is a source of uncertainty in the plan.

### **Foreign coin demand**

The Mint has adopted a strategy to aggressively increase its share of the foreign coinage market. The global economic crisis that has constrained demand since 2008 continues, a circumstance exacerbated by excess global capacity. The risk created by the intense competition for contracts is being managed through expanded sales resources, continued technology and product improvements, and research and training through the Hieu C. Truong Centre of Excellence. Nevertheless, global coin demand is a source of uncertainty in the corporate plan.

### **Domestic coin demand**

Trends in the use of electronic payments, coin recycling services and/or any change in the denomination structure of Canadian coinage could impact the Canadian Circulation Business Line. The Mint addresses these risks by continually monitoring domestic demand and adjusting production and capacity as required; ensuring coin production and distribution is efficient and cost effective; consistently improving quality; and delivering compelling commemorative coin programs.

### **Innovation and product portfolio**

The Mint is a global leader in the art and science of producing circulation and numismatic coins as well as bullion products, a position established through its enduring commitment to the research and development of unique products and technologies. Innovation is critical to the Mint's ability to succeed in a competitive market environment. Innovation requires investment of financial and human capital, and the Mint must continue to manage its product and technology portfolio to mitigate risk and capture new opportunities.

### **Base and precious metal prices**

The Mint purchases precious metals, including gold, silver, platinum and palladium for use in bullion and numismatic coins, as well as base metals and alloys in the production of domestic and foreign circulation coins. Exposure to volatility in metal prices is mitigated by matching the timing of purchase and sales, contractually transferring price risk to suppliers, hedging strategies and/or natural hedges inherent in business activities. Notwithstanding the hedging policy, long-term trends in metal prices may impact sales opportunities, margins and overall profitability.

The Mint also sells base metal collected through ARP. While a portion of ARP sales is hedged, variability in metal prices may reduce revenue on the unhedged portion of sales in the short term and the performance of the overall program over the longer term.

### **Foreign exchange risk**

A significant portion of revenues and costs are denominated in foreign currencies, which exposes the Mint to foreign exchange risk. The Mint mitigates this risk through natural currency hedges and financial instrument hedges. Currency hedging contributes to managing volatility in foreign exchange, however the longer-term currency trends can impact results. A stronger Canadian dollar can exacerbate the pricing challenges on products that are exported and reduce revenues from bullion products, which are priced in US dollars.

### **Operations risks**

The Mint's operations and business activities present a variety of risks, including health and safety, security, supply chain and environment. There are processes and controls in place to address the scope of operations and compliance risks relevant to the Mint. As the business continues to grow, with greater product breadth, diversity and technology, it is important that the Mint continues to evaluate and manage these risks in a manner consistent with the organization's objectives and stakeholder expectations.

### *Return to Shareholder and Profitability*

The RCM is a fully commercial Crown Corporation. Since its incorporation in 1969 to 2013, the RCM has earned \$580 million in profits and returned 54% of these funds to the Government of Canada.

Given the primary objective of the RCM, the Corporation strives to pay an annual dividend to its shareholder. In determining the amount of the dividend, the Board of Directors has a specific dividend proposal framework (below) that recognizes that the Mint operates in a commercial and international environment and that its accountability is to a public sector shareholder.

### **Objectives of the Corporation**

The primary objective of the RCM is to earn a profit on the minting of coins that fall outside the provision of goods and services to the Government of Canada and provide a reasonable return to its shareholder. This objective must be balanced with other objectives as follows:

- to maintain its long-term viability and competitive edge;
- to ensure a consistent quality and supply of Canadian circulating coinage;
- to comply with government policies including employment equity, privacy and access to information; and
- to present an image that befits the history, characteristics and nature of the institution.

### Criteria for Issuance of Dividend

Given the primary objective of the RCM, the Corporation will strive to pay an annual dividend to its shareholder.

In determining the amount of a dividend to be paid to the shareholder, the Board of Directors will base their consideration on criteria that includes, but is not limited to, the following factors that require funding:

- requirement to maintain corporate liquidity sufficient to meet general operating requirements;
- requirement to provide for the organization's long-term viability;
- requirement for the addition and replacement of capital assets;
- requirement for funds to launch and provide initial support to new products and product lines;
- requirement to invest in new or significantly enhanced manufacturing and support systems to achieve productivity and management efficiency; and
- requirement to invest in human and other resources in order to respond effectively and efficiently to challenges created by a changing business environment.

Dividends paid (\$000)

2006	2007	2008	2009	2010	2011	2012	2013	2014
\$1,000	\$1,000	\$1,000	\$5,000	\$7,000	\$10,000	\$10,000	\$10,000	\$10,000

As noted, the RCM operates in a volatile environment and is subject to a multitude of economic factors, such as exchange rates, precious and base metal prices and intense foreign competition in the minting industry. These factors—manageable to some extent—can impact planning assumptions and anticipated profit. The RCM anticipates a profit for 2014. The RCM is planning on sustaining profitability in 2015 and throughout the planning period.

### *Deficit Reduction Action Plan and Operating Budget Freeze*

Non-appropriated Crown corporations such as the RCM are not subject to the formal Deficit Reduction Action Plan and operating budget freeze but are being encouraged to adhere to the spirit and intent of the exercise by undertaking self-reviews, and under their own authorities to seek operational efficiencies and other opportunities to increase profits.

The RCM took measures in the 2012-2016 Corporate Plan to honor the spirit and intent of the Deficit Reduction Action Plan measures announced by the federal government. The RCM is taking measures in the 2015-2019 Corporate Plan to honor the spirit and intent of the operating budget freeze by conducting a self-review aimed at achieving greater efficiency and profitability.

In observing the spirit and intent of the Deficit Reduction Action Plan and Operating Budget Freeze, it is important to note that the RCM is a commercial corporation. Over the coming years, it is essential for the RCM to remain flexible in its operations and respond to changing market circumstances in a way which produces for the shareholder the highest possible returns, both in the short term and in the context of longer term opportunities the corporation is pursuing.

### 3. Performance Management

#### *Assessment of 2013 Consolidated Actual Results and 2013 Forecast*

This section compares actual results of the year ended December 31, 2013 with the forecasted financial results in the 2014-2018 Corporate Plan.

	2013 Forecast	2013 Actual
	\$(000's)	\$(000's)
Revenues	3,002,800	3,375,203
Operating Costs	2,966,555	3,327,196
<b>Profit before income taxes</b>	<b>36,245</b>	<b>48,007</b>
Income tax	9,061	11,777
<b>Profit</b>	<b>27,184</b>	<b>36,230</b>
Other Comprehensive Income, net of tax	(683)	(1,397)
<b>Total Comprehensive Income</b>	<b>26,501</b>	<b>34,833</b>
<b>Capital Expenditures</b>	<b>56,000</b>	<b>48,282</b>

The RCM achieved a record year in 2013 with revenues of \$3.4 billion, and posted the third largest profit in RCM history.

While the demand for circulation coins remained constant in the marketplace, several changes in the Canadian coinage system resulted in a significant impact on the RCM's management of the nation's coin supply. The removal of a core denomination for the first time in history, the acceleration in the growth of coin counting kiosks, and the implementation of rounding procedures were unknown complexities that tested Canada's distribution network. The net effect of these activities caused an increase of coins of all denominations to be returned from the market which, along with the penny phase out, reduced production and made the management of inventories even more crucial.

The volume of circulation coins produced by the RCM was also affected by the number of special circulation coins issued during the year. During 2013, the RCM launched the final two of five commemorative circulation coins celebrating the 200<sup>th</sup> anniversary of the War of 1812. It also issued two 25-cent coins commemorating the 100<sup>th</sup> anniversary of the Canadian Arctic expedition and life in Canada's North.

The Foreign Business Line produced and shipped 2.6 billion coins and blanks to 17 countries. The volumes partially reflect a contract to provide circulation coinage to a country that experienced a disruption in domestic minting capacity.

The ability to secure foreign contracts in the RCM's traditional markets continues to be constrained by a fragile global economy, historically low demand for coinage in Europe, and the entry of new suppliers into the market place and intensely competitive pricing. To address the challenge, the business line adjusted its pricing strategies; re-defined market opportunities; refined the value proposition; streamlined and realigned the sales force; launched a new digital journal on industry trends and news; and developed new products with US-based partner Jarden Zinc Products, LLC.

The RCM also leverages its marketing, distribution and technological expertise to secure consulting and training contracts. The RCM's ability to secure foreign business will be further supported through the investment in research and development, including the establishment of the Hieu C. Truong Centre of Excellence.

Numismatics and Collectibles revenue increased to its second consecutive record in the RCM's history. A strong customer focus in 2013 enabled the business line to better understand its customers and what drives them to collect the RCM's numismatics products. Along with ever deepening business-to-business relationships these insights informed the product mix – including the use of innovative technology and exciting themes – that resonated with customers.

The direct business enables customers to buy directly from the RCM. It is composed of four channels: online, inbound, outbound and retail. This business experienced significant growth largely driven by the success of the RCM's web platform, MINT.ca.

The price of precious metals rose briefly at the beginning of 2013 only to descend in June, recover briefly in August then fall again. Price volatility traditionally engages retail investors, who also perceived the decline in price to represent a buying opportunity. At the same time, investors in gold exchange-traded products around the world liquidated their gold investment to move into other asset classes, driving the price down. To maintain and capture market share, the RCM executed key strategies that were developed in 2012.

The volume to precious metals stored at the RCM increased significantly, partially due to the success of the ETR programs supplemented by growing demand from domestic and foreign nonbank institutions, private trusts and high net worth individuals.

Despite global weak investor interest in exchange-traded investment in gold due to the depressed price, the volume of gold under administration in the RCM's ETR program increased due in large part to the private placement of six million gold ETRs. The RCM also issued approximately 16.0 thousand silver ETRs following completion of the exercise of purchase rights under the existing Silver ETR program.

Net capital expenditures were \$48.3 million. The most significant projects included:

- The completing of the plating expansion and Hieu C. Truong Centre of Excellence in Winnipeg;
- Upgrade to the ERP platform and implementation of the platform in the refinery;
- Completion of the Phase A of the RCM's Human resources management information system;
- Expansion of the RCM's e-commerce platform that supports RCM.ca;
- More than 100 capital projects in Ottawa to enhance capacity and efficiency including the purchase of new presses and burnishing equipment, modernizing the shipping operation, improvements to the utilization of continuous casting operation and investments in engraving technologies and die production; and
- To accommodate expanding human resources, additional office space in two buildings close to the RCM's facility was secured.

The capital spend came in under forecast primarily due to timing of projects related to ongoing IT projects, rotary furnace, refinery, and research and development; under spend on smaller projects including technical services and tour upgrades; and cancellation of projects, including a Teer Coating system in Ottawa.

*Comparison of 2014 Consolidated Corporate Plan to Actual*

This section reviews 2014 results against the forecast included in the 2014-2018 Corporate Plan.

	2014 Corporate Plan	2014 Actual
	\$(000's)	\$(000's)
Revenues	2,277,230	2,443,414
Operating Costs	2,252,357	2,387,277
<b>Profit before income taxes</b>	<b>24,873</b>	<b>56,137</b>
Income tax	6,218	14,883
<b>Profit</b>	<b>18,655</b>	<b>41,254</b>
Other comprehensive income, (losses) net of tax	192	(624)
<b>Total Comprehensive Income</b>	<b>18,847</b>	<b>40,630</b>
<b>Capital Expenditures</b>	<b>44,000</b>	<b>27,400</b>

The RCM exceeded its 2014 net income targets.

All of the RCM's business lines have contributed to the RCM's impressive 2014 financial performance.

The Bullion and Refinery Business Line was able to take advantage of ongoing uncertainty in the global economy. The demand for silver precious metals remained strong, while demand for gold weakened. To keep investor interest, the RCM had successfully launched bullion custom products.

The Canadian economy had remained relatively stable as evidenced in the demand for circulation coins in 2014.

To protect itself from any potential declines in base metal prices, the RCM had hedged most of the nickel it expected to recover in 2014 through ARP.

The RCM's commemorative circulation coin program included the 2014 Lucky Loonie and a War Series coin entitled "Wait for Me, Daddy" to coincide with Remembrance Day.

The RCM's aggressive revenue and profit targets established for the Numismatics, Collectibles and Medals Business Line was exceeded.

The Foreign Coinage Business Line surpassed its target in 2014 due in part to cost control resulting in reduced selling expenditures.

The primary reasons for the decrease in 2014 capital spend was overall reduction in spending on projects related to coining as well as delays in replacement of the concast furnace in Ottawa; and projects related to die production, cellular layout and coining, and research and development in Winnipeg.

## **Performance Indicators for 2015**

The RCM's corporate vision is to be the best Mint in the world. This will continue to be achieved through the attainment of the RCM's four major strategic objectives. The following are the key performance indicators in support of the RCM's four major strategic objectives.

### **Strategic Objective #1: Profitability. To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM**

- To achieve the 2015-2019 Corporate Plan net income before income taxes in the prevailing market; and
- To achieve planned R&D spend.

### **Strategic Objective #2: Customer satisfaction. To meet or exceed customers' expectations for quality, service and value**

- To ensure no shortage of Canadian Circulation coins, and reach expected seigniorage target.
- To ensure on time delivery of Canadian Numismatic, Foreign Circulation and Bullion and Refinery customer commitments;
- To ensure targets are met on numismatic returns related to quality; and
- To avoid any major product deviations for Canadian and Foreign Circulation and Bullion and Refinery.

### **Strategic Objective #3: People. To enhance employee satisfaction, engagement and well-being**

- To meet or decrease the targeted annual plant injury frequency and severity and sick leave rates(established after review of year end results); and
- To achieve planned training spend.

**Strategic Objective #4: Corporate social responsibility. To apply best practices in corporate social responsibility by balancing economic, environmental and social factors while addressing shareholder and stakeholder expectations.**

- To achieve the 2015-2019 Corporate Plan recycling coins target; and
- To apply best practices in corporate social responsibility (CSR) utilizing the CSR framework.

## 4. Marketing and Communications

### *Overview*

The Marketing and Communications division plays a lead role in nurturing the corporate vision of being the *best mint in the world*, and is the steward of the RCM's brand. In line with the RCM's vision, the marketing and communications strategy seeks to continue distinguishing the organization as a producer of culture and currency.

The branding exercise to understand positioning across the corporation's markets of choice continued to evolve throughout 2013 by bringing life to the brand promise statement *Minting the story*, strengthening the concept of 'storytelling' in marketing and communications initiatives, such as campaigns for the Canadian Circulation Coin Program.

The division continues to serve all business lines and corporate interests by supporting market differentiation strategies through the development of market-leading products, and marketing and communications programs.

In 2013, resources were focussed on a number of initiatives for each business line.

The 2012-13 five-coin Canadian Circulation Coin Program (CCCP) "War of 1812" series was successful in supporting the Government of Canada's efforts to raise awareness about these important pre-confederation events known to a broader range of Canadians. In Q1 of 2013, the RCM launched the remainder of the program, with two 25-cent coins—half the volumes featuring colour.

Additionally, in 2013, the Mint marked the 100<sup>th</sup> anniversary of the Canadian Arctic Expedition through commemorative circulation and numismatic coins, including the 2013 flagship silver dollar program. The two circulation coins bearing this theme of this remarkable anniversary told the story through the lens of a relevant, interactive and award-winning online program which engaged school children in activities to help them learn, better understand and appreciate life in the North one hundred years ago, and today.

Looking ahead, the Marketing and Communications division has been actively developing products and programming to mark major milestones of nation building including commemorations of the First and Second World Wars, and celebrations leading up to the 150th anniversary of Canadian confederation in 2017. In the coming year, the Mint intends to announce programs to engage Canadians in these celebrations to make Canada's 150<sup>th</sup> anniversary truly memorable for the general public and coin collectors, alike.

## *Current status*

The alignment of marketing strategies to the RCM's vision is critical. Each of these strategies will reinforce the RCM's reputation and brand promise to different stakeholders, notably its customers and employees. The following strategies represent the core priorities for the Marketing and Communications division.

### *Bringing the Brand promise to Life*

Having gone through both an internal and external assessment, the RCM's new brand promise aims to deliver on its three core attributes of innovation, pride and trust, by *Minting the Story*. With the privilege of being a curator of currency and culture, the Mint can further "mint the story" of different events and themes that showcase Canada's people, places and passions.

The program supporting the 100<sup>th</sup> anniversary of the Canadian Arctic Expedition demonstrated how well the RCM's value proposition can be relevant to various audiences. In this particular case, the target audience was youth and story-telling was adapted for an interactive online learning experience, while encouraging collecting behaviour.

### *Global leadership in coinage solutions*

The RCM will continue to be proactive in providing marketing and communications support for the Foreign Business Line, particularly in emerging markets as the RCM's product strategy is further refined and developed.

As in previous years, programs such as the War of 1812 and the 100<sup>th</sup> anniversary of the Canadian Arctic Expedition, as described above, provide rich content and evidence of the RCM's marketing and communications expertise in the domain of circulation coin marketing.

Further evidence of the RCM's expertise and reputation for innovation in 2013 came in the form of the *Excellence in Currency Award* for the "Best New Coin Innovation" for the RCM's recently introduced \$1 and \$2 multi-ply plated steel circulation coins with enhanced security features, such as virtual imaging, laser marks and DNA technology. This title was awarded by the International Association of Currency Affairs, whose membership includes currency issuing authorities and central banks, international security authorities, industry suppliers and other stakeholders. This award is also world-wide acknowledgement of the RCM's long-term commitment to research and development and innovation, as well for industry leadership in coinage and currency solutions.

### *Growing the Numismatic and Collectibles Business Line*

Having adopted a customer lifecycle approach to the RCM's direct channel marketing activities, and with the benefit of market research and learnings, the Marketing and Communications division in collaboration with the Numismatics and Collectibles Business Line has undertaken a comprehensive customer journey mapping exercise to identify specific areas for improvement.

### *Extending the Precious Metals business*

Following the successful launch of the Canadian Gold Reserves' Exchange Traded Receipts in 2011, the Marketing and Communications division continues to assist the Bullion, Refinery and ETR Business Line in increasing visibility of its brand.

Another key area of focus will be to sustain and promote the internationally recognized "Maple Leaf" brand for the RCM's suite of bullion products. An enhanced presence on mint.ca as well as additional support to our international dealer network will be offered to reinforce the RCM's leadership position with the investment community..

### *Corporate Social Responsibility*

The RCM continues to finalize a comprehensive corporate social responsibility (CSR) framework. A CSR vision statement has been developed and shared internally at the RCM. An employee CSR steering committee has been established with representatives from key divisions within the Corporation including Corporate Health and Safety, Legal Affairs, Security, Corporate Engineering and Environment, Research and Development, Materials Management, Corporate Affairs, Continuous Improvement, Human Resources, Corporate Purchasing, Operations and Enterprise Risk Management. This steering committee is responsible for finalizing the RCM's CSR framework and determining the benchmarks against which the RCM will measure its CSR performance. Once components of the framework have been launched in late 2014, the steering committee will be responsible for ensuring that various RCM divisions are aligned with the Corporation's CSR vision and priorities.

Engaging employees in CSR activities is an important element of the RCM's framework, including through supporting a corporate charity of choice. New in 2014, the RCM is proud to be supporting the Ottawa and Winnipeg chapters of the Children's Wish Foundation, which has gained widespread employee support.

### *Internal Communications*

Communications continues to refine existing internal communications tools in an effort to sustain and promote internal communications at the RCM. The RCM's internal communications strategy is aimed at fostering engagement and pride through open, frequent and trustworthy dialogue at all employee levels. In late 2013, the group conducted a follow-up review of the efficiency and success of the various internal communications tools introduced to employees over the past three years. The results and key learnings from this review will be applied in 2014 and beyond.

### *Major RCM Strategic Objectives*

**Strategic Objective #1: Profitability. To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM**

- Increase the RCM's brand awareness and relevancy by creating greater targeted product and marketing offers, customer interaction and emotional connection through its products and services, and through initiatives such as increased e-marketing and broader social media presence and;
- Deliver a strategic number of new numismatic products to drive Numismatic and Collectibles Business Line revenue and profit;

**Strategic Objective #2: Customer satisfaction. To meet or exceed customers' expectations for quality, service and value**

- Showcase and update the new brand platform with a set of guiding principles and alignment of internal and external communication tools as well as product and service offerings to the new look and feel;
- Develop relevant customer-driven satisfaction measures for all business lines;
- Engage customers in the development of specific programs such as the commemorative circulation coin program;
- Support RCM's employees, internal corporate groups and business lines by providing best-in-class services in brand management, product development, market research, advertising and promotions, direct marketing, media relations and internal communications; and
- Develop and enhance performance indicators, and increase the monitoring and reporting of marketing activities to increase the efficiency and effectiveness of marketing and communications services.

**Strategic Objective #3: People. To enhance employee satisfaction, engagement and well-being**

- Continue to improve the effectiveness of internal communications, with strategic long-term planning, updated tools and timely delivery by applying project management principles;
- Effectively communicate the brand strategy and engage employees in its implementation through the creation of brand ambassadors;
- Enhance the collaboration and communication throughout the Marketing and Communications division and other internal stakeholders such as a formalized campaign management process;
- Engage employee participation in corporate social responsibility in the workplace and in the RCM's corporate charity of choice, the Ottawa and Winnipeg chapters of the Children's Wish Foundation; and
- Communicate health and safety initiatives and significant accomplishments in new and existing markets to employees.

**Strategic Objective #4: Corporate social responsibility. To apply best practices in corporate social responsibility by balancing economic, environmental and social factors while addressing shareholder and stakeholder expectations**

- Finalize and implement a corporate social responsibility framework that supports the RCM's vision and values;
- Establish employee programs and guidelines to allow greater engagement in corporate social responsibility practices including community involvement; and
- Determine external and commercial strategies to communicate and leverage RCM's corporate social responsibility programs.

## 5. Research and Development

### *Overview*

The R&D Centre of Excellence continues to augment its capacity and capabilities to innovate with a growing team of research and application engineers. The R&D Centre's mission and driving force is to enable the RCM to be the Best Mint in the World through research, innovation and collaboration.

The International Association of Currency Affairs awarded the RCM with the *Best New Coin Innovation* for the suite of advanced visible and covert security features on the multi-ply plated steel \$1 and \$2 circulation coins. The RCM also received the *Most Innovative Coin of the Year* award from Krause Publications for the 25-cent "glow-in-the-dark" Prehistoric Animals collector coin.

The R&D team is dedicated to operating with an entrepreneurial mindset, focusing on execution, being collaborative and resourceful.

### *Current Status*

The R&D Centre of Excellence is committed to make technology advancements to grow the RCM as the global leader in minting through the creation of commercially viable and patented technologies.

### *Major RCM Strategic Objectives*

**Strategic Objective #1: Profitability. To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM**

- Develop processes and technologies that broaden our product offering, provide significant differentiation and competitive advantage; and
- Implement advanced manufacturing processes that provide cost savings and productivity improvements.

**Strategic Objective #2: Customer satisfaction. To meet or exceed customers' expectations for quality, service and value**

- Develop product features that are valued by customers;
- Continually introduce innovations to the market;
- Develop innovative products that capture industry attention/recognition; and

**Strategic Objective #3: People. To enhance employee satisfaction, engagement and well-being**

- Create an innovative and collaborative culture to tap into and encourage new ideas and the development of new technologies that will be performance driven with respect to driving projects to commercial realization;
- Expand and strengthen capabilities (people, space, equipment, materials); and
- Make use of creativity and talents and maintain a competitive edge through close observation of competitive, market and customer trends.

**Strategic Objective #4: Corporate social responsibility. To apply best practices in corporate social responsibility by balancing economic, environmental and social factors while addressing shareholder and stakeholder expectations.**

- Establish and build a network of research partners to augment resources, expand knowledge and reach, accelerate projects, while promoting Canadian research; and
- Develop processes and technologies that enhance health, safety and environment.

## 6. Canadian Circulation Business Line

### *Overview*

Canadian Circulation is the RCM's core business line, responsible for the RCM's primary mandate of producing high quality, cost-effective coinage that fulfils the trade and commerce needs of Canadians. However, its responsibilities are unique and extend beyond a traditional mint's responsibilities – which is to manufacture coin. Along with coin production, the RCM also manages a comprehensive distribution system that ensures coins are readily available across the country to meet demand.

After years of refining the Canadian distribution system, the efficiency and effectiveness of Canada's coin management solution has garnered international attention. The fact that Canada has not experienced a coin shortage in many years while maintaining low inventories has foreign countries increasingly seeking knowledge from the RCM—a testament to the RCM's reputation as a global leader in coinage solutions.

A major event for Canada and the RCM, the Government phased out a denomination for the first time in history – the one cent coin was removed from circulation in 2013. The RCM leveraged its infrastructure, logistics network, and overall expertise in coin management to ensure an orderly and cost effective transition. The metal content of the recovered one cent coins are recycled with the proceeds from the sale of metals returned to the Government. Working collaboratively with the financial institutions, armoured car companies, and other stakeholders prior to the phase out proved to be a valuable strategy to ensure trade and commerce transactions were uninterrupted for Canadians.

Historically, Canadian circulation coins had been manufactured using expensive alloys such as copper and nickel that are actively traded on the commodities market and therefore subject to volatile price fluctuations and supply pressures. Since 2000, the Canadian circulation 5, 10, and 25-cent denominations have been produced with multi-ply plated steel materials saving the Canadian Government approximately \$350 million since the transition. This ensures that the cost of producing coins is lower than its face value, generating positive seigniorage for the Government.

In 2012, to extend the savings from steel base coinage, the next generation one dollar and two dollar coins were introduced to the market, a decision that ensured Canada's full suite of denominations were all produced using cost effective plated steel technology. After years of collaboration between various stakeholders including vending, parking, transit, and others, these new multi-ply plated steel coins were launched with several advanced security features. In the following year, these coins were recognized by the international community, winning IACA's

(International Association of Currency Affairs) prestigious award for “Best New Coin Innovation” for the various security features incorporated into the new one and two dollar coins.

Although counterfeiting of coins is not problematic in Canada, being proactive with new security features ensures that the integrity of Canada’s monetary supply is maintained. Features such as virtual imaging, laser marks, and edge-lettering along with coin reading technology underscore the RCM’s commitment to security and R&D.

In 2005, the RCM initiated a coin recycling program to further enhance the efficiency of the distribution system and increase the use of all coins produced. Today, coin recycling has more than doubled since the RCM’s core start-up program, driven by various coin recycling companies. Some Canadian financial institutions have experimented with coin recycling pilot projects with a couple of major financial institutions moving ahead with national coin recycling services through their branch networks. As Canadians continue to deposit their coins into recycling kiosks, the end result is a more efficient coin distribution system which in turn leads to a reduction in the RCM’s production volumes for new coins. Since the RCM has a mandate to manage the distribution system, it becomes increasingly important for the RCM to understand the rate and quantity at which coins are being supplied through the coin recycling channel. The fine balancing of new coin production and management of inventories supplied through coin recycling channels has become progressively more complex but managed efficiently through the RCM’s coin management infrastructure. As one-cent coins are no longer distributed, the coin recycling program continues to provide a convenient solution for Canadians to return their one-cent coins. The one cent phase out added another challenge for the RCM as it triggered Canadians not only to return their pennies, but their other denominations as well, causing an unexpected spike in the market inventories of all denominations. The RCM reduced production and carefully managed the coin inventories across the country to ensure coins were available to satisfy the markets’ rounding requirements.

In addition, Canadian Circulation is responsible for Alloy Recovery Program (ARP) activities. ARP was established in 2004 to replace old alloy white metal coins with new multi-ply plated steel coins which are more durable and secure. A systematic replacement of old alloy coins also ensures that there is a consistent type of coin in the market, which helps streamline automated coin acceptance transactions. The program started with the 25-cent coin and was expanded in 2007 to incorporate the 5-cent and 10-cent coins. With the conversion of the \$1 and \$2 coins to multi-ply plated steel, the Alloy Recovery Program will continue on the \$1 and \$2 subject to prevailing nickel prices, to capture alloys from these higher denominations

Economic Action Plan 2014 Act, No. 2, amended the *Royal Canadian Mint Act* to eliminate the anticipation of profit by the Royal Canadian Mint with respect to the provision of goods and services to the Government of Canada including the minting of circulation coins. The results of this change have been reflected in this Corporate Plan.

## Major RCM Strategic Objectives

**Strategic Objective #1: Profitability. To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM**

- Eliminate the anticipation of profit with respect to the provision of goods and services to the Government of Canada including the minting of circulation coins.
- Improve counterfeit detection and coin security;
- Continue to find and develop new partners to meet projected growth;
- Maximize ARP profitability by assessing the ARP potential on all denominations
- Continue market research into payment technologies which will help RCM understand impact to coinage;
- Provide advice to the Government on coin-related issues and optimal denomination structure, and introduce new high security technologies;
- Capitalize on *lean* and continuous improvement initiatives to drive efficiencies, reduce product costs in an effort to increase profitability and improve the customer experience;
- Showcase the R&D Centre of Excellence in Winnipeg;
- Leverage partnerships, and innovation as a competitive differentiator and optimize capabilities to address market & customer opportunities;
- Establish linkages between marketing opportunities, technologies and operational capabilities; and
- Continue managing the phase out of the one cent coin including the development of a wind down strategy while continuing to monitor the impact to other coin denominations due to implementation of rounding;
- Continue strengthening supplier relationships and streamline processes in order to reduce costs.

**Strategic Objective #2: Customer satisfaction. To meet or exceed customers' expectations for quality, service and value**

- Continuously improve operations through operational efficiencies, ensuring agile and responsive customer service, realizing economies of scale and leveraging partnerships;

- Work with stakeholders to identify trends;
- Continue with significant investments in R&D and innovation;
- Prioritize in-house development of yellow plating capability;
- Support the Foreign Business Line through the servicing of foreign circulation contracts;
- Lead the National Coin Committee to enhance the distribution system and ensure coins continue to be accessible and available to Canadians across the country; and
- Pursue a new multi-year commemorative circulation coin program that continues to inspire Canadians to celebrate Canada's history, culture and values.

**Strategic Objective #3: People. To enhance employee satisfaction, engagement and well-being**

- Harness the strength, creativity and vitality of employees by creating an environment that keeps them engaged and committed to making the RCM the best Mint in the world;
- Reinforce the paramount importance of health and safety with the objective of engraining its related practices in the mind-set of all employees and making them a defining cultural attribute of the organization;
- Improve internal communication to employees through regular dialogue;
- Invest in training to enable employees to realize their professional aspirations; and
- Invest in training focussing on health and safety, 5S and *lean*. 5S is a process by which an area can be de-cluttered, cleaned up and organized to be more efficient, productive and safe

**Strategic Objective #4: Corporate social responsibility. To apply best practices in corporate social responsibility by balancing economic, environmental and social factors while addressing shareholder and stakeholder expectations.**

- Process coins from large scale coin recycling companies across Canada and ensure these coins are efficiently re-distributed in the Coin Pool system, limiting the effects on the environment by not having to produce new coins; and
- Modernize the Winnipeg facility to ensure its systems and equipment are energy efficient and reduce its overall carbon footprint. Also ensure that production processes and equipment are environmentally friendly.

## 7. Foreign Business Line

### *Overview*

The Foreign Business Line liaises with foreign central banks, monetary authorities and finance ministries in the pursuit of contracts for the production and supply of foreign circulation and numismatic coins and blanks, medals, medallions and tokens for customers around the world.

The Foreign Business Line also manages the licensing of a number of RCM technologies including the RCM's plating technology. In addition, the business line offers services leveraging the newest advances in products and processes developed by the RCM for the global minting community.

## Major RCM Foreign Business Line Strategic Objectives

**Strategic Objective #1: Profitability. To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM**

- Utilize a targeted market strategy to maintain existing customer base and expand into new markets through leveraging of RCM's innovative technology product (i.e. non-cyanide brass & bronze, colour) and service offerings and;
- Develop reactive consulting options including intellectual property and technology transfer to ensure we can respond to customer requests for additional services as required.

**Strategic Objective #2: Customer satisfaction. To meet or exceed customers' expectations for quality, service and value**

- Ensure high level of sales force training and attending of international coin/currency conferences and ;
- Meet and/or exceed customer's quality expectations and delivery timelines.

**Strategic Objective #3: People. To enhance employee satisfaction, engagement and well-being**

- Harness the strength, creativity and vitality of employees by creating an environment that keeps them engaged and committed to making the RCM the best Mint in the world;
- Reinforce the paramount importance of health and safety with the objective of engraining its related practices in the mind-set of all employees and making them a defining cultural attribute of the organization;
- Improve internal communication to employees through regular dialogue;
- Invest in training to enable employees to realize their professional aspirations and succession planning;
- Invest in sales training; and
- Invest in training focussing on health and safety, 5S and *lean*.

## 8. Numismatics, Collectibles and Medals Business Line

### *Overview*

The RCM's numismatic coins chronicle the Canadian experience by capturing culture and artistic perfection within precious and base metals. The Business Line produces and sells celebrated collectible coins and medals to customers in Canada and around the world. Innovative technology enhancements like holograms, selective plating and colour create unique and compelling products that attract new customers and differentiate RCM product against competition.

### Major RCM Strategic Objectives

**Strategic Objective #1: Profitability. To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM**

- Collaborate closely with marketing and production to develop product portfolios that resonate with customers and;
- Capitalize on *lean* and continuous improvement initiatives to maximize productivity and minimize operating costs in an effort to increase profitability.

**Strategic Objective #2: Customer satisfaction. To meet or exceed customers' expectations for quality, service and value**

- Continuously monitor and respond to the voice of the customer and ensure RCM product, brand and service promises are met;

**Strategic Objective #3: People. To enhance employee satisfaction, engagement and well-being**

- Harness the strength, creativity and vitality of employees by creating an environment that keeps them engaged and committed to making the RCM the best Mint in the world;
- Reinforce the paramount importance of health and safety with the objective of engraining its related practices in the mind-set of all employees and making them a defining cultural attribute of the organization;

- Improve internal communication to employees through regular dialogue;
- Invest in training to enable employees to realize their professional aspirations;
- Invest in sales / call centre training; and
- Invest in training focussing on health and safety, 5S and *lean*.

**Strategic Objective #4: Corporate social responsibility. To apply best practices in corporate social responsibility by balancing economic, environmental and social factors while addressing shareholder and stakeholder expectations.**

- Continue to use numismatic products to support charitable and community organizations across Canada by way of in-kind donations; and
- Continue practice of selecting specific numismatic products to support environmental, community and social causes.

## 9. Bullion, Refinery and ETR Business Line

### Overview

The Bullion, Refinery and ETR Business Line provides its customers with integrated solutions for their gold and silver precious metals refining and outturn bullion products. This allows the RCM to offer high demand products including a family of high purity gold, silver, palladium and platinum Maple Leaf coins, wafers and bars, granules for use in jewellery and industrial applications. More recently the Business Line created an opportunity for retail and institutional investors to access precious metals stored at the RCM through our Canadian Gold Reserves and Canadian Silver Reserves Exchange Traded Receipt (ETR) products listed on the Toronto Stock Exchange.

The customers of the RCM's bullion investment products are precious metal traders, banks, coin dealers, foreign governments and ETR investors. These customers' key requirements are: reputation, brand, government backing, inventory availability, price/premium, timely delivery, marketing incentives, rapid order processing, product assortment and flexible customer service. In addition, liquidity and convenience are of particular importance to ETR customers.

At its Ottawa location, the RCM offers integrated precious metal refinery services including assaying, secure storage and a variety of outturn products.

### Major RCM Strategic Objectives

**Strategic Objective #1: Profitability. To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM**

- Capitalize on *lean* and continuous improvement initiatives and capital investment to drive efficiencies, reduce product costs in an effort to increase profitability, improve the customer experience and enhance health and safety;
- Implement an ERP system to enhance the refinery's reporting, controls and overall profitability.

**Strategic Objective #2: Customer satisfaction. To meet or exceed customers' expectations for quality, service and value.**

- Continuously improve operations.

**Strategic Objective #3: People. To enhance employee satisfaction, engagement and well-being**

- Harness the strength, creativity and vitality of employees by creating an environment that keeps them engaged and committed to making the RCM the best Mint in the world;
- Reinforce the paramount importance of health and safety with the objective of engraining its related practices in the mind-set of all employees and making them a defining cultural attribute of the organization;
- Improve internal communication to employees through regular dialogue;
- Invest in training to enable employees to realize their professional aspirations; and
- Invest in training focussing on health and safety, 5S and *lean*.

## 10. Other Corporate

### Overview

The Human Resources (HR) division is composed of three sections: Human Resources, Health & Safety, Environment and Quality Systems. This division provides the following services:

- Facilitates the strategic management of the RCM's human resources to achieve its business goals, while at the same time helping employees realize their personal and professional aspirations;
- Responsible for providing guidance and direction in the areas of health and safety ensuring compliance with applicable legislation and best practices to promote a vibrant Health & Safety culture;
- Responsible to provide guidance and direction of environmental management, ensuring compliance with applicable legislation and best business practices, in addition to ensuring operations do not adversely impact employees, the public or the natural environment; and
- Provides the RCM's various operational sections with support in establishing quality standards to ensure RCM meets the expectation of its customers. These initiatives are documented in the RCM's Quality Management System (WISE). In addition, these and all other quality procedures are monitored and reported on using the modern manufacturing methods and standards of ISO 9001:2008 to ensure that customer expectations are met in a consistent, timely and sustainable manner.

Corporate Security is comprised of Protective Services and Information Systems Security.

- Protective Services is responsible for the development, delivery and maintenance of programs protecting RCM's reputation and human, physical and logical assets from internal and external human threat-sources. It accomplishes this by proactively assessing and communicating security risks, providing security risk management advice, and delivering high quality security services to assure the integrity of processes and personnel; and
- The Information Systems Security (ISS) Section is responsible for the development, delivery, and maintenance of information security, risk management, and auditing programs that seek to safeguard the information assets and the supporting infrastructure against unauthorized access, use, disclosure, modification or loss.

The Finance and Administration division is composed of four sections: Finance, Strategic Planning and Analysis, Procurement, Treasury and Risk Management. Information Technology reports through the CFO's division. These divisions provide the following services:

- Responsible for ensuring the integrity and transparency of all financial information and records;
- Providing reports and performance indicators to senior management in a timely manner, including essential financial information in support of the corporate vision;
- Establishing and maintaining the organization's accounting policies, principles, practices and procedures to ensure the safeguarding of assets and proper management of cash flow;
- Providing an effective purchasing process for goods and services to the business lines and other divisions.
- Ensuring the administration of a fair and equitable competitive bid and tendering process, void of biased business practices and protecting the image of the organization for probity;
- Providing an effective logistics program, managing all modes of transportation (air, ground, ocean, carrier and armoured car carrier), to the business lines and other divisions, for both Ottawa and Winnipeg. Responsible for ensuring Customs compliance for Canada, USA and international;
- Creating and preserving corporate wealth by safeguarding the Corporation's financial and physical assets, managing financial and business risks and earning investment income;
- The development and administration of the Mint's Enterprise Risk Management (ERM) program; supporting consistent identification, assessment, communication, monitoring and management of risk;
- Management of the corporate travel program;
- Providing information systems services to the corporation, both the on-going technical support of computing facilities and communication systems, and the implementation of new technologies and applications and;
- Overseeing the annual budgeting and corporate planning exercise.

The Corporate and Legal Affairs division of the RCM is composed of three sections: the Office of the General Counsel, Corporate Affairs, and Official Languages and Linguistic Services.

#### Office of the General Counsel (OGC)

The OGC is responsible for providing and coordinating all legal counsel and advice with respect to the RCM's legal matters. The role of the OGC is to protect the interests of the RCM by providing timely, practical and strategic legal advice. The OGC namely fulfills this role by:

- Providing a full-range of legal services to the RCM's executives and officials;
- Assisting developing and participating in the review of corporate policies and other policy documents and best practices to protect the RCM from liability;
- Drafting and participating in the negotiation of domestic and foreign contracts;
- Providing legal risk analysis, management and mitigation strategies, in conjunction with internal stakeholders;
- Interpreting legislation and remaining abreast of legislative developments relating to the RCM;
- Registering RCM patents, trade-marks, official marks and industrial designs, and monitoring their use;
- Participating in high profile and sensitive RCM projects; and
- Retaining and instructing external legal services on behalf of the RCM in a cost effective manner.

The Corporate Affairs section is responsible for providing secretariat support to the RCM's Board of Directors, including the development of corporate policies and other policy documents, managing the administration of the *Access to Information Act* and *Privacy Act*, including the training of all employees on their duties and responsibilities, conducting privacy impact assessments and privacy audits, and overseeing the implementation of privacy-related policies and notices. The section is also responsible for coordinating the submission and tabling of statutory reports and documents to Parliament and managing government relations by interfacing with the Minister's Office and other central agencies on a variety of subjects, including the approval of new coin designs. In collaboration with the OGC, Corporate Affairs is responsible for safeguarding, managing requests and generating funds for the use of the RCM's intellectual property.

The Linguistic Services and Official Languages (LSOL) section provides linguistic services (translation, adaptation, editing, proofreading, consecutive sign and simultaneous interpretation, linguistic advice and bilingual writing) to the RCM thereby supporting the bilingual internal and national operations of the Corporation as well as its multilingual international business. The section also monitors the application of and compliance with Canada's *Official Languages Act* and its related legislation, spearheading remedial initiatives when needed, and, in conjunction

with the OGC, provides advice on Official Languages matters to other sections of the Corporation. Acting as liaison with the Treasury Board Secretariat, the Office of the Commissioner of Official Languages and Heritage Canada, the LSOL section fulfills its social ethos of promoting Canada's people, culture and history not only through compliance with the *Official Languages Act*, but also—within the greater scope of the RCM's Corporate Social Responsibility framework—by encouraging positive measures to uphold bilingualism in minority Official Language communities.

The Corporate Engineering Department, within the Operations Division of the RCM, is responsible for providing services to its internal customers in order to enhance minting and refining processes.

### Current Status

The HR division's strategic priorities for 2014 include a sustained focus on increasing the RCM's ability to attract the best talent, continuing the succession planning efforts for key positions through the development and implementation of a comprehensive training and talent management strategy. The Mint will pursue its efforts to ensure the skills and abilities of employees are aligned with the needs of the organization's four business lines and its overall corporate needs.

In addition, the HR division will continue to engage with employees to address the key driver across the organization and by division resulting from the employee engagement survey.

The HR division will continue the deployment of its new Human Resources Management Information System. The RCM has successfully completed the deployment of Phase A (human resources / time and attendance / payroll) and will turn its focus and efforts to the second phase of the implementation which is designed to capture information and generate reports on matters such as recruitment, training, health & safety and labour relations. The system is designed to provide the RCM with strategic management information regarding its workforce and key human resources processes.

The HR division will continue to lead the RCM's efforts in providing its employees with a healthy and safe workplace through comprehensive risk assessments, robust health and safety operational plans, effective leadership, education and training. The RCM will focus its efforts on prevention of workplace accidents and incidents and will establish an on-going monitoring and compliance regime for health and safety issues.

## **Key human resource challenges**

The RCM is a diverse and high growth business. Beginning with traditional minting, it has evolved into one of the world's most successful and complex Mints. It currently manufactures and markets the world's best selling gold coin, has developed a rapidly growing collectible business and has placed 2 listings on the Toronto Stock Exchange. The RCM's key human resource challenge is to meet the variety of human resources demands for this diverse, complex and growing business. The impact of this challenge is somewhat longer timeframes to staff key positions. With its workforce plan process, the RCM can identify current and future competencies, required skills, as well as assesses capabilities for critical areas and identify workforce gaps. Our track record indicates the RCM's Human Resources section's ability to meet these demands and support the needs of the four business lines. There are no significant financial implications for this challenge.

A new environmental management system which includes an updated policy recognizes that protection of the environment and sustainable use of resources and energy are essential for the well being of future generations and is a key pillar of the RCM's Corporate Social Responsibility framework. Within this policy, the RCM is committed to minimizing and eliminating, where possible, the impacts of its operations on the environment. On-going actions to support the environment include recycling, waste reduction, green promotion, environmental testing and reporting, conservation and facilities improvements.

Finally, the Quality Systems section of the HR division will assist the various RCM internal collaborators to ensure the ISO certification 9001:2008 status is maintained in both Ottawa and Winnipeg facilities. The Quality Systems team will complete the comprehensive review and introduce more robust processes for monitoring and enhancing the quality of incoming material from external suppliers in order to improve RCM manufacturing operations.

The Finance and Administration division is continuing with the implementation of a fully robust ERM program.

Additionally, the Finance and Administration Division will continue to improve and support reporting processes to facilitate sound business decisions and realize efficiencies from the new ERP system as well as proactively implement hedging strategies aimed at protecting the RCM's profitability with respect to its positions in the foreign exchange, ARP base metals and precious metals markets.

The Corporate and Legal Affairs division's key strategic priorities continue to focus on improving its customer service levels and providing support that helps internal stakeholders

achieve the corporation's business objectives in a manner that complies with and upholds applicable legal and ethical standards.

The focus of the Engineering team over the planning period is implementation of new capital equipment and process improvements to support growth, cost reduction and quality improvement in the Ottawa and Winnipeg plants.

### Major RCM Strategic Objectives

#### **Strategic Objective #1: Profitability. To generate a commercial return on capital employed today and invest in people, R & D and equipment necessary to ensure the long-term profitability of the RCM**

- Align people, programs and organizational culture with the RCM's operational goals and its vision of becoming the best Mint in the world in terms of profitability;
- Continue to implement the RCM's succession planning program to ensure that potential successors are identified and developed for key RCM positions using a variety of tools including experience plans, formal training, mentoring and other programs;
- Provide support and tools to help transform the RCM into a marketing-driven organization and align human resources and people programs with the RCM's brand, once defined;
- Implement a comprehensive training and talent management strategy to ensure the RCM is proactive in nurturing the talent of its people and be responsive to individual professional aspirations;
- Continue to enhance workforce flexibility solutions to ensure that the workforce adapts to fulfill changing customer demand in a timely and effective manner;
- Introduce strategies to increase accountability in the RCM's organizational culture and promote a culture of performance at the RCM;
- Continue to improve the RCM's workforce planning processes to ensure that the growth and development of the workforce is aligned with business needs, profitability, demographic and other changes;
- Ensure a multi-layered security posture;
- Manage cash flows and financing programs to address working capital and capital investment requirements;

- Continue to improve the ERM program at the RCM to address the changing needs and risk profile of the organization;
- Continue to provide strategic analysis on potential new joint ventures and significant asset investments;
- Continue to investigate, make recommendations and dispose of non-performing assets where feasible;
- Proactively implement prudent hedging programs to protect the profitability of the RCM;
- Pursue excellence in the delivery of corporate, legal and linguistics services, and in Official Languages compliance; and
- Safeguard, protect and generate revenues from the RCM's intellectual property.

**Strategic Objective #2: Customer satisfaction. To meet or exceed customers' expectations for quality, service and value**

- Maintain ISO 9001 certifications in both the Ottawa and Winnipeg facilities and implement fully the RCM's improved quality management system resulting in faster and more sustainable resolution of quality issues and increased customer satisfaction; and
- Ensure that best privacy practices are integrated into the RCM's programs and procedures to safeguard customers' and employees' personal information and minimize privacy risks to the Corporation.

**Strategic Objective #3: People. To enhance employee satisfaction, engagement and well-being**

- Leverage the results of the employee survey and implement targeted improvements to people practices to increase employee satisfaction and engagement, in order to enhance the RCM's value proposition as an employer of choice ;
- Ensure health and safety policies and programs are developed, implemented and maintained across the organization, as required by legislation, industry standards, and best management practices to continue on the path of building a strong and dynamic Occupational Health & Safety culture at the RCM;
- Develop a comprehensive workplace wellness program to encourage and assist the RCM's employees in engaging in healthy life style choices;

- Invest in the training and development of RCM employees, particularly in the critical areas of: research and development, leadership abilities professional development, continuous improvement, develop skills based matrices and provide relevant on-the-job training, and ensure Mint compliance with various legislated requirements;
- Maintain sound employee relations through open communication with union representatives and non-unionized employees; and
- Support the on-going efforts to integrate the principles of the *Employment Equity Act* and the *Multiculturalism Act* into its current programs and procedures.

**Strategic Objective #4: Corporate social responsibility. To apply best practices in corporate social responsibility by balancing economic, environmental and social factors while addressing shareholder and stakeholder expectations.**

- Ensure RCM business operations do not adversely impact the natural environment or the health and safety of employees and the public in general; and
- Ensure RCM compliance with applicable health and safety and environmental legislation and strive to adopt best practices.

## 11. RCMH – MRCF Inc

### Overview

In 2001, the Board of Directors considered and approved a strategy on business development aimed at the pursuit of new business opportunities and diversification for the RCM's revenue base. The business development strategy provided the objectives, criteria and focus areas for business development and the process and planning elements for realizing the project. Four areas were identified in the strategy: potential joint ventures for the distribution of collectibles; strategic vertical integration; direct marketing and e-commerce; and products and services that require a high-security environment.

In 2002, the RCM entered into a joint venture with Travelway Group International Inc. (TGI), through its wholly owned subsidiary, RCMH-MRCF Inc. to pursue new business opportunities as well as to provide for further vertical integration. Under the agreement, the RCM's subsidiary owned 50% in TGM Specialty Services Inc. (TGM).

### Current Status

In 2008, the RCM and TGI jointly agreed that the TGM structure and business model was not effectively serving either party's interests. Accordingly, both parties took the decision to wind down the TGM partnership and for the RCM and TGI to enter into a strategic supplier relationship. The TGM joint venture was wound down in 2009 as planned, and a dividend was paid to RCMH-MRCF Inc. as a result of the winding down of the joint venture.

There is no activity being undertaken by RCMH-MRCF Inc. at this point in time nor is there any planned activity for the planning period.

## 12. Financial Management

### Financial Risk Management

The RCM has established various policies to address financial risk management. All these policies are consistent with the Minister of Finance Financial Risk Management Guidelines for Crown Corporations, and all have been reviewed by our Executive Group and approved by our Board of Directors. These policies are reviewed periodically and updated as required for presentation and approval by our Board. Furthermore, the RCM's Internal Auditor and the Office of the Auditor General have reviewed and audited our various policies in light of our financial risk management activities. In addition to the policies, various procedures, processes and/or systems are in place to help identify and assess risks to be managed, as well as for monitoring and reporting to various stakeholders.

Hedging activities undertaken by the RCM may include management of foreign exchange, interest rate, base metal and/or precious metal risks. The RCM does not speculate by knowingly taking on an exposure or position for which there is no underlying requirement; it is against our policy to do so. Our hedging activities exist purely to protect the financial results to the organization. The hedging activities are reported on a mark-to-market basis as required.

The RCM may hold investments in the form of short-term money market products that comply with our Board approved investment policy. This policy is consistent with the Minister of Finance Financial Risk Management Guidelines for Crown Corporations.

### Key Assumptions and Variations over the Planning Period

This section provides an overview of the RCM's five-year pro forma financial statements. The five-year financial plan is based on the economic assumptions and planning premises listed below.

- wage increases assumed at prevailing rates and inflation rate assumed on fixed, business line and corporate expenses;
- productivity gains achieved in 2013 carried through the planning period by *lean* and other initiatives;
- exchange rate of \$1.12 CAD / \$1.00 USD;
- precious metal prices per ounce in Canadian dollars are estimated at \$1,422 for gold \$1,792 for platinum and \$22.85 for silver;
- base metal prices per kg in Canadian dollars are estimated at \$21.73 for nickel, \$7.66 for copper, \$2.56 for zinc and \$1.23 for steel;
- current loan interest rates used for the planning period;
- capital spending for 2015 of \$33 million; and
- payment of income taxes and dividends in the planning period.

## Generally Accepted Accounting Principles (“GAAP”)

### **Basis of reporting**

The Corporation adopted IFRS on January 1, 2011, with a date of transition effective January 1, 2010. Prior to the adoption of IFRS, the Corporation prepared its consolidated financial statements in accordance with previous Canadian GAAP. The RCM’s financial statements for the year ended December 31, 2011 were the first annual consolidated financial statements issued by the Corporation that complied with IFRS.

### **Reconciliation of Canadian GAAP to IFRS.**

A complete reconciliation of Canadian GAAP to IFRS was presented in the notes to the RCM’s 2011 Audited Consolidated Financial Statements.

### **Quarterly Financial Reporting**

The *Financial Administration Act* requires that all departments and parent Crown corporations prepare and make public a quarterly financial report within 60 days after the end of the fiscal quarter to which the report relates. This standard is issued by the Treasury Board Secretariat.

### **Adoption of new accounting standards - Future**

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation’s consolidated financial statements in future years.

#### **IFRS 1 First-time Adoption of IFRS (“IFRS 1”)**

An amendment was released in December 2013 to IFRS 1 as part of the “Annual Improvements – 2011-2013 cycle” project and is effective for annual periods beginning on or after July 1, 2014. The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS and applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early adoption. The adoption of the amendment is not expected to have an impact on the Corporation's consolidated financial statements.

#### **IFRS 3 Business Combinations (“IFRS 3”)**

An amendment was released in December 2013 to IFRS 3 as part of the “Annual Improvements – 2011-2013 cycle” project and is effective for annual periods beginning on or after July 1, 2014. The amendment clarifies that IFRS 3 excludes for its scope the accounting for formation of joint arrangements in the financial statements of the joint arrangement itself. The adoption of the

amendment is not expected to have an impact on the Corporation's consolidated financial statements.

#### IFRS 7 Financial Instruments: Disclosures (“IFRS 7”)

An amendment was released in December 2011 to IFRS 7 regarding requiring disclosures about the initial application of IFRS 9 which currently does not have an effective date. The amendments are to be applied retrospectively to all comparative periods. An additional amendment was released in November 2013 to IFRS 7 regarding additional hedge accounting disclosures resulting from the introduction of the hedge accounting section of IFRS 9 which currently does not have an effective date. The amendments are to be applied retrospectively to all comparative periods. The Corporation is currently evaluating the impact of these amendments to IFRS 7 on its consolidated financial statements therefore the impact is not known at this time.

#### IFRS 9 Financial Instruments (“IFRS 9”)

In July 2014, the IASB issued the final version of IFRS 9, which incorporates the classification and measurement, impairment and hedge accounting phases of the project to replace the existing standards under IAS39 “Financial Instruments: Recognition and Measurement”. The new IFRS 9 standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retroactively. The Corporation is currently evaluating the impact of the adoption of IFRS 9 on its consolidated financial statements therefore the impact is not known at this time.

#### IFRS 11 Joint Arrangements (“IFRS 11”)

An amendment was released in May 2014 to IFRS 11 which provides guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendment is effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. The adoption of the amendment is not expected to have an impact on the Corporation's consolidated financial statements.

#### IFRS 13 Fair Value Measurement (“IFRS 13”)

An amendment was released in December 2013 to IFRS 13 as part of the “Annual Improvements – 2011-2013 cycle” project and is effective for annual periods beginning on or after July 1, 2014. The amendment clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” or IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 “Financial Instruments: Presentation”. The adoption of the amendment is not expected to have a material impact on the Corporation's consolidated financial statements.

#### IFRS 14 Regulatory Deferral Accounts (“IFRS 14”)

IFRS 14 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2016. This standard specifies the accounting for regulatory deferral account balances that arise from rate regulation. The Standard is available only to first-time adopters of IFRSs who recognised regulatory deferral account balances under their previous GAAP. The adoption of the standard is not expected to have an impact on the Corporation's consolidated financial statements.

#### IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 was issued in May 2014 and applies to annual reporting period beginning on or after January 1, 2017. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The Corporation is currently evaluating the impact of the adoption of IFRS 15 on its consolidated financial statements therefore the impact is not known at this time.

#### IAS 16 Property, Plant and Equipment (“IAS 16”)

IAS 16 was amended in May 2014 for the clarification of acceptable methods of depreciation; it explains that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflect a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. The amendment is effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. The adoption of the amendment is not expected to have an impact on the Corporation's consolidated financial statements.

#### IAS 19 Employee Benefits (“IAS 19”)

An amendment was released in November 2013 to IAS 19 to clarify the requirements that relate to contributions from employees or third parties to defined benefit plans. The revised IAS is effective for annual periods beginning on or after July 1, 2014. The adoption of the amendment is not expected to have an impact on the Corporation's consolidated financial statements.

#### IAS 38 Intangible Assets (“IAS 38”)

IAS 38 was amended in May 2014 for the clarification of acceptable methods of amortisation; it introduces a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate for the same reasons as in IAS 16 with limited circumstances when the

presumption can be overcome. The amendment is effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. The adoption of the amendment is not expected to have an impact on the Corporation's consolidated financial statements.

#### IAS 40 Investment Property (“IAS 40”)

An amendment was released in December 2013 to IAS 40 as part of the “Annual Improvements – 2011-2013 cycle” project and is effective for annual periods beginning on or after July 1, 2014. The amendment clarifies that this standard and IFRS 3 “Business Combinations” are not mutually exclusive and application of both standards may be required. Determining whether a specific transaction meets the definition of both a business combination and investment property requires the separate application of both standards. The adoption of the amendment is not expected to have an impact on the Corporation's consolidated financial statements.

#### IAS 41 Agriculture (“IAS 41”)

Amendments to IAS 41 and ISA 16 were released in June 2014. The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. The adoption of the amendments is not expected to have an impact on the Corporation's consolidated financial statements.

## *Financial Statements*

The Mint's ability to generate a gross profit is a key measure of its overall effectiveness as an enterprise. The outlook for the Mint during the planning period, as represented in the following financial statements, indicates a reasonable level of profitability within its legislative mandate.

### **Consolidated Statement of Comprehensive Income** **Actual 2013-14 and five year forecast through 2019** \$(000's)

	<b>Actual 2013</b>	<b>Actual 2014</b>	<b>Forecast 2015</b>	<b>Forecast 2016</b>	<b>Forecast 2017</b>	<b>Forecast 2018</b>	<b>Forecast 2019</b>
Revenues	3,375,203	2,443,414	2,024,572	2,031,374	2,045,659	2,041,117	2,050,587
Operating Costs	3,327,196	2,387,277	1,977,492	1,979,214	1,993,574	1,989,560	1,998,011
<b>Profit before income tax</b>	48,007	56,137	47,080	52,160	52,085	51,557	52,576
Income tax	11,777	14,883	11,770	13,039	13,021	12,889	13,144
<b>Profit</b>	36,230	41,254	35,310	39,121	39,064	38,668	39,432
<b>Other comprehensive income, (losses) net of tax</b>	-1,397	-624	-1,397	979	917	-	-
<b>Total comprehensive income</b>	34,833	40,630	33,913	40,100	39,981	38,668	39,432

**Consolidated Statement of Changes in Equity**  
**Actual 2013-14 and five year forecast through 2019 \$(000's)**

	Share Capital	Retained Earnings	AOCI*	<b>Total</b>
<b>Balance, beginning of 2013</b>	40,000	238,600	-246	278,354
<b>Profit for the year</b>		36,230		36,230
<b>Other comprehensive income (losses)</b>		149	-1,546	-1,397
<b>Dividend **</b>		-10,000		-10,000
<b>Balance, end of year 2013</b>	40,000	264,979	-1,792	303,187
<b>Balance, beginning of year 2014</b>	40,000	264,979	-1,792	303,187
<b>Profit for the year</b>		41,254		41,254
<b>Other comprehensive income (losses)</b>		-812	188	-624
<b>Dividend **</b>		-10,000		-10,000
<b>Balance, end of year 2014</b>	40,000	295,421	-1,604	333,817
<b>Balance, beginning of year 2015</b>	40,000	295,421	-1,604	333,817
<b>Profit for the year</b>		35,310		35,310
<b>Other comprehensive income (losses)</b>		-1,105	-292	-1,397
<b>Dividend **</b>		-10,000		-10,000
<b>Balance, end of year 2015</b>	40,000	319,626	-1,896	357,730
<b>Balance, beginning of year 2016</b>	40,000	319,626	-1,896	357,730
<b>Profit for the year</b>		39,121		39,121
<b>Other comprehensive income (losses)</b>			979	979
<b>Dividend **</b>		-10,000		-10,000
<b>Balance, end of year 2016</b>	40,000	348,747	-917	387,830
<b>Balance, beginning of year 2017</b>	40,000	348,747	-917	387,830
<b>Profit for the year</b>		39,064		39,064
<b>Other comprehensive income (losses)</b>			917	917
<b>Dividend **</b>		-10,000		-10,000
<b>Balance, end of year 2017</b>	40,000	377,811	0	417,811
<b>Balance, beginning of year 2018</b>	40,000	377,811	0	417,811
<b>Profit for the year</b>		38,668		38,668
<b>Other comprehensive income (losses)</b>		0	0	0
<b>Dividend **</b>		-10,000		-10,000
<b>Balance, end of year 2018</b>	40,000	406,479	0	446,479
<b>Balance, beginning of year 2019</b>	40,000	406,479	0	446,479
<b>Profit for the year</b>		39,432		39,432
<b>Other comprehensive income (losses)</b>		0	0	0
<b>Dividend **</b>		-10,000		-10,000
<b>Balance, end of year 2019</b>	40,000	435,911	0	475,911

\* AOCI: Accumulated other comprehensive income (net gains (losses) on cash flow hedges).

\*\* Dividends are considered and approved by the Board of Directors on a yearly basis after the review of the audited financial statements, and are based upon the Framework for Dividend Payment.

**Consolidated Statement of Financial Position**  
**Actual 2013-14 and five year forecast through 2019**  
**\$(000's)**

	<b>Actual 2013</b>	<b>Actual 2014</b>	<b>Forecast 2015</b>	<b>Forecast 2016</b>	<b>Forecast 2017</b>	<b>Forecast 2018</b>	<b>Forecast 2019</b>
<b>Assets</b>							
<b>Current assets</b>							
Cash	63,228	104,153	104,404	112,282	116,438	120,058	126,841
Accounts receivable	38,741	35,088	40,000	50,000	60,000	70,000	80,000
Prepaid expenses and other	2,141	3,482	5,000	5,000	5,000	5,000	5,000
Inventories	97,986	89,023	90,000	95,000	105,000	115,000	125,000
	202,096	231,746	239,404	262,282	286,438	310,058	336,841
Investment property	236	236	236	236	236	236	236
Property, plant and equipment	389,797	409,036	437,522	461,222	484,922	508,622	532,322
Accumulated depreciation	(151,582)	(167,386)	(186,620)	(207,213)	(229,014)	(251,539)	(275,049)
Intangible assets and other	17,874	17,450	16,681	13,291	9,712	6,097	4,555
	256,325	259,336	267,819	267,536	265,856	263,416	262,064
<b>Total assets</b>	<b>458,421</b>	<b>491,082</b>	<b>507,223</b>	<b>529,818</b>	<b>552,294</b>	<b>573,474</b>	<b>598,905</b>
<b>Liabilities and Equity</b>							
<b>Liabilities</b>							
<b>Current liabilities</b>							
Accounts payable, accrued liabilities, other	75,765	83,142	80,000	80,000	80,000	80,000	80,000
Loans payable	7,528	7,522	7,518	7,513	7,492	3,004	3,003
Deferred revenues	3,922	1,209	2,000	2,000	2,000	2,000	2,000
	87,215	91,873	89,518	89,513	89,492	85,004	85,003
Loans and other payables	42,109	34,475	26,975	19,475	11,991	8,991	5,991
Deferred tax liabilities	16,329	18,218	20,000	20,000	20,000	20,000	19,000
Employee benefits	9,581	12,699	13,000	13,000	13,000	13,000	13,000
	68,019	65,392	59,975	52,475	44,991	41,991	37,991
<b>Shareholder's equity</b>							
Share capital	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Retained earnings	264,979	295,421	319,626	348,747	377,811	406,479	435,911
Accumulated other comprehensive income	(1,792)	(1,604)	(1,896)	(917)			
	303,187	333,817	357,730	387,830	417,811	446,479	475,911
<b>Total liabilities and shareholder's equity</b>	<b>458,421</b>	<b>491,082</b>	<b>507,223</b>	<b>529,818</b>	<b>552,294</b>	<b>573,474</b>	<b>598,905</b>

**Consolidated Statement of Cash Flows**  
**Actual 2013-14 and five year forecast through 2019**  
**\$(000's)**

	Actual 2013	Actual 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019
<b><i>Cash flows from operating activities</i></b>							
Receipts from customers / net proceeds from derivative contracts	2,331,653	1,845,382	2,020,452	2,021,374	2,035,659	2,031,117	2,040,587
Payments to suppliers and employees	(2,265,441)	(1,739,499)	(1,959,372)	(1,956,786)	(1,974,985)	(1,971,300)	(1,981,014)
Interest paid	(629)	(1,139)	(941)	(770)	(597)	(424)	(246)
Income taxes paid	(7,831)	(16,860)	(9,988)	(13,040)	(13,021)	(12,889)	(14,144)
	57,752	87,884	50,151	50,778	47,056	46,504	45,183
<b><i>Cash flows from investing activities</i></b>							
Interest received	513	485	600	600	600	600	600
Payments to acquire property, plant and equipment and intangible assets and other	(60,735)	(30,271)	(33,000)	(26,000)	(26,000)	(26,000)	(26,000)
	(60,222)	(29,786)	(32,400)	(25,400)	(25,400)	(25,400)	(25,400)
<b><i>Cash flows from financing activities</i></b>							
Proceeds from loans	15,000	-	-	-	-	-	-
Dividend paid *	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Repayment of loans and other payables	(4,504)	(7,497)	(7,500)	(7,500)	(7,500)	(7,484)	(3,000)
	496	(17,497)	(17,500)	(17,500)	(17,500)	(17,484)	(13,000)
Net increase (decrease) in cash	(1,974)	40,601	251	7,878	4,156	3,620	6,783
Cash at the beginning of the year	64,514	63,228	104,153	104,404	112,282	116,438	120,058
Effects of exchange rate changes on cash held in foreign currencies	688	324	-	-	-	-	-
<b>Cash at the end of the year</b>	<b>63,228</b>	<b>104,153</b>	<b>104,404</b>	<b>112,282</b>	<b>116,438</b>	<b>120,058</b>	<b>126,841</b>

\* Dividends are considered and approved by the Board of Directors on a yearly basis after the review of the audited financial statements, and are based upon the Framework for Dividend Payment.

## *Borrowing Plan*

In accordance with the Royal Canadian Mint Act, the RCM may borrow money from the Consolidated Revenue Fund or any other source but the aggregate of the amounts loaned to the RCM and outstanding at any time may not exceed \$75 million. The Minister of Finance approves terms and conditions of all borrowings.

Currently there are three long term borrowings.

In 2008 the RCM secured a 10-year long term borrowing in the amount of \$15 million, with principal repayments that began in 2009.

In 2012 the RCM secured a 10-year long term borrowing in the amount of \$30 million, with principal repayments that begin in 2013.

In 2013 the RCM secured a 5-year long term borrowing in the amount of \$15 million, with principal repayments that begin in 2014.

Principal repayments, on all long term financing, totaling \$7.5 million per annum are projected for 2014 to 2018, with \$3 million in 2019.

The amount and uses of short term borrowings, to a maximum of \$25 million, are determined on an on-going and as-required basis to support the business activities of the RCM. For the 2015 year the RCM will request approval from the Minister of Finance for short term borrowings, for working capital purposes, of up to \$25 million on the basis of the terms and conditions approved by the Minister of Finance.

### **13. 2015 Capital Budget and 2016-2019 Capital Plan**

#### *Capital Budget 2015 and Capital Expenditure Plan 2016-2019*

The Capital Budget for 2015 and the Capital Expenditure Plan for 2016-2019 represent the investments required to maintain our reliability, flexibility and capability of equipment as well as protect employee health and safety/environment. The investments also support growth initiatives identified by the business lines underpinning the RCM being the best Mint in the world. Major investments are planned in equipment, facilities and technology which will protect the RCM's productivity and customer service, and enhance growth opportunities.

Given the nature of the RCM's operational environment and potentially long lead times for the delivery of specialized capital assets, all capital projects proposed for 2015-2019 are considered multi-year projects as spending can carry forward to subsequent years. The RCM manages its capital budget in total and in light of the multi-year nature of its capital projects and within-year prioritization of capital investments, it is possible that the spend by asset category can vary from that presented in the 2015 Capital Budget and 2016-2019 Capital Expenditure Plan.

The capital budget and capital expenditure plan are developed and projects prioritized taking into consideration such factors as expected business line growth rates, business investment requirements, competitive benchmarking, new product and technology research and development, information technology maintenance and enhancement, and return on investment. In addition, less growth oriented but essential projects include aging equipment replacement, health and safety requirements, reliability, production throughput, building maintenance and renovation.

Prior to proceeding, significant capital projects will be carefully evaluated and analyzed by having solid business cases prepared in support of the projects and submitted for final approval of the Board of Directors, thereby ensuring major projects meet planned return on investment and payback objectives. Projects relating to health and safety receive priority consideration.

**Capital Budget 2015 and  
Capital Expenditure Plan 2016-2019**  
\$(000's)

	2015	2016	2017	2018	2019
<b><i>Total</i></b>	33,000	26,000	26,000	26,000	26,000