

2022 COMPLIANCE REPORT

PART A: REFINER'S DETAILS

Refiner's Name: Royal Canadian Mint

Location: Ottawa, Ontario, Canada

Reporting Year-End: December 31, 2022

Date of Report: April 12, 2023

Date of Audit Completion: April 12, 2023

Senior Management
Responsible for this Report: 
Simon Kamel,
Chief Anti-Money Laundering Officer and Compliance
Officer



PART B: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE

Step 1: Establish Strong Company Management Systems.

We have fully complied with Step 1: Establish Strong Management Systems.

The Royal Canadian Mint (hereafter “the Mint”) has in place a corporate Responsible Metals Program and Anti-Money Laundering/Anti-Terrorist Financing and Know Your Customer (“KYC”) Program, which are consistent with the requirements set forth by the London Bullion Market Association’s (hereafter “LBMA”) *Responsible Gold Guidance (version 9)* and *Responsible Silver Guidance (version 1)*. The Mint has also established an internal management structure to support supply chain due diligence. This structure enables communication and implementation of program requirements, and monitoring of the supply chain due diligence program.

The Board of Directors of the Royal Canadian Mint (hereafter “the Board”) is responsible for the oversight of the Responsible Metals Program. As part of the requirements in the LBMA Responsible Gold Guidance version 9, the Board approved a new Responsible Sourcing (Precious Metals) Policy (hereafter “the Policy”) on November 16, 2022. The Policy is posted on Mint.ca [here](#). The Policy specifies the responsibilities of the Board with regard to their oversight role for the program and outlines the roles and responsibilities for the management of the program. All Board members completed online training of the Responsible Metals Program in October and November of 2022. The Board was briefed on the Responsible Metals Program in September and November 2022. The Board will receive annual updates on the program, the Policy and will be advised immediately if there are any zero tolerance issues identified in the Mint’s responsible metals supply chain.

The Chief Anti-Money Laundering Officer has been designated as the Compliance Officer for the Responsible Metals Program. The Compliance Officer is responsible for providing independent oversight and support of the day-to-day execution of the Responsible Metals Program activities by the Bullion and Refinery, Tax and Compliance, and Mint Office employees. The Compliance Officer has unfettered access to the Board, CEO and Senior Management and reports directly to the President and CEO of the Mint.

In the case of high-risk supply chains, the Compliance Officer must review the KYC and confer with the Chief Commercial Officer regarding the decision to pursue or maintain the relationship. Any zero tolerance issues identified would be escalated immediately to the Compliance Officer, the CEO and to the Board as needed.



The Senior Manager, Compliance and the Director, Regulatory Affairs (Compliance) provide support to the Compliance Officer in fulfilling these obligations.

The Compliance Officer has delegated responsibilities to the Senior Manager, Compliance and the Director, Regulatory Affairs (Compliance). The Senior Manager is responsible for managing the program and ensuring its implementation in order to identify and assess the risk related to all suppliers of gold or silver-bearing refining deposits (hereafter “suppliers”). Where a material concern has been identified with respect to a supplier’s activity, it is to be communicated by Mint employees to either the Senior Manager, the Director, Regulatory Affairs (Compliance) or Compliance Officer. The Senior Manager, the Director, Regulatory Affairs (Compliance) and Compliance Officer ensure that the Senior Leadership Team and the Board, where applicable, are also briefed regarding said concern. The Mint has a Compliance Coordinator who works directly with the Mint’s business lines to conduct KYC and on-board prospective customers. The Compliance Coordinator also conducts after-care to periodically review customer information for accuracy and currency and reassess customer risk.

The Mint has identified and recorded all suppliers, and maintains records containing supply chain information for each deposit. The Mint’s refinery has a gold and silver-bearing material receiving process, and requires that specific documents be received, and transactional details entered into the system, before processing the gold or silver-bearing material. The receiving process includes obtaining written and signed declarations from suppliers for deposits received, declaring that the material contained therein has been sourced responsibly in accordance with the most current version of the LBMA Responsible Gold Guidance and/or LBMA Responsible Silver Guidance (as applicable).

In all instances, existing supplier contracts contain a warranty that material received does not derive from criminal activity and is responsibly sourced. The Mint also maintains an updated supplier contract template for use when entering into an agreement with a new supplier for refining services, or when an existing agreement is being renewed. The updated supplier contract template specifically refers to the LBMA requirements that reflect OECD’s principles for responsible sourcing. This is supplementary to the warranty made by suppliers for their deposits. Included as part of the new Policy, the Board has also approved a Customer Responsible Sourcing Policy (hereafter “Customer Policy”). Starting in late 2022, suppliers are required to confirm compliance to the Mint’s Customer Policy or their own, which is, at a minimum, consistent with Annex II of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected or High-Risk Areas*.

The Senior Manager and Director of Regulatory Affairs (Compliance) ensure responsibilities and information pertaining to the program are communicated to Senior Management, and to Mint employees who are responsible for the receiving and refining



of deposits. They are supported by the Compliance team, the Bullion and Refinery team, and the refinery's Mint Office team.

A targeted training program is in place to inform these employees of their obligations under the Responsible Metals Program. The fully bilingual online training Responsible Metals Program module was launched in September after the content was updated to align with the requirements of the latest LBMA Responsible Gold Guidance and targeted employees who deal with precious metal transactions. The training was designed with a view to deliver training across a number of the Mint's business lines in support of the Responsible Metals Program. Online training enables the Mint to maintain electronic training records, including the names of employees who completed the online training and respective dates of completion. One hundred and eighty-one employees, for whom the training is mandatory, completed the training in 2022. The content of the training programs is reviewed annually and updated as needed.

The Mint's refinery has communicated the Responsible Metals Program requirements to all suppliers, and has engaged with them to ensure that materials received by the Mint for processing have been sourced responsibly, and not from illegal mining operations located in internationally designated conflict areas. Additionally, the Mint has engaged with suppliers to obtain written confirmations of their Anti-Money Laundering (AML), Anti-Terrorist Financing (ATF) and Conflict Free Sourcing (CFS) policies, where available. The Mint has also engaged with all high-risk suppliers by way of conducting site visits at the time that a new high-risk supplier is onboarded and will undertake site visits as needed on a risk-based basis including in the event a customer's risk rating changes to high risk throughout the course of the business relationship due to new risks being identified or new regulatory or other (compliance) requirements. In the course of site visits, the Mint reviews and discusses the suppliers' AML/ATF/CFS policies and programs, and confirms business details previously provided by the suppliers.

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

Furthermore, the Mint has a whistle-blowing program that includes confidential and anonymous reporting using a third-party provider. This is an enhanced means to make anonymous disclosures relating to the Responsible Metals Program or related to other wrongdoing, without fear of reprisal. The whistle-blowing program can be accessed from the Mint's website [here](#). The Mint received a number of reports from the whistle-blowing service in 2022 but none in relation to the Responsible Metals Program. For employees of the Mint, wrongdoing reporting can also be done directly to Human Resources, their Manager, or under the statutory regime of the *Public Servant Disclosure Protection Act* ("PSDPA") either to the Mint's designated Senior Officer for Disclosures pursuant to PSDPA or to the Public Sector Integrity Commissioner of Canada.



The Mint does not accept any cash payments from its suppliers for refining services. Records for suppliers are maintained for a minimum of 5 years.

Step 2: Identify and assess risk in the supply chain

We have fully complied with Step 2: Identify and Assess Risk in the Supply Chain.

The Mint has identified and assessed the risks for each of its suppliers. Each supplier is required to undergo the Mint's KYC due diligence process, and is subject to a risk assessment. The risk assessment encompasses risk indicators related to geography, nature of business, delivery channels, ownership, organizational structure, and other risk factors that the Mint deems relevant including consideration for Environmental, Social and Governance (ESG) factors. All risk assessments are reviewed by the Senior Manager, Compliance and the Director of Regulatory Affairs (Compliance) before they are signed. In the event that a supplier's risk rating is determined to be high, the risk assessment is also reviewed and signed the Mint's CAMLO. The Mint's due diligence for Politically Exposed Persons ("PEPs"), includes assessment of the region in which they operate (foreign or domestic) and the type of organization they represent (private, public or government). Where the Mint maintains a relationship with a high-risk supplier, the Mint will implement enhanced due diligence risk mitigation strategies and brief the Chief Anti-Money Laundering Officer and the Chief Commercial Officer. The Mint did not onboard any new high-risk suppliers in the period, however the Mint updated and changed the risk rating for one supplier from moderate to high following a site visit in November. The change in risk rating is due to the requirement in *LBMA Responsible Gold Guidance (version 9)* that a supplier is high risk when that supplier mixes materials. There were no other high-risk issues identified during the site visit. The Mint can confirm that there were no zero tolerance issues with any of their suppliers throughout 2022.

The supplier due diligence process includes collecting and verifying the suppliers' business and financial details, and ESG factors, verifying that the supplier and/or its beneficial owners are not on any economic, money laundering, or terrorist financing watch lists, sanctions list or listed as PEPs, and obtaining trade reference information. The Mint will assess whether PEPs pose a risk to the Mint and whether the identified risk can or cannot be mitigated. The Mint also requests copies of the suppliers' AML/ATF/CFS policies, as applicable. In November 2022 the Mint revised its supplier risk assessment tool to include new factors included in the LBMA Gold Guidance version 9 and a modified customer risk assessment tool was implemented in November 2022 for new suppliers and re-assessments.

In the case of high-risk supply chains, in addition to assessing the suppliers, the Mint conducts a Know your Supplier (KYS) assessment of the third-parties involved in the supply chain, namely the transportation companies used to transport the gold and silver-bearing material to the Mint. Furthermore, for those new high-risk suppliers who send the Mint material, the Mint performs a review of the suppliers' company details and site visits,



and conducts a country risk assessment if the material is coming from outside of Canada to determine the risk associated with receiving material from the international site. In addition, the Mint conducts appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship for all suppliers rated high-risk. This is done by reviewing previous deposits at the time the customer's KYC file is reassessed. Compliance will look for unusual spikes or dips in volume and in the event anything unusual is detected, they will reach out to the Sales Manager as well as the supplier to obtain more information for the unusual activity. The next course of action will depend on what information is uncovered.

All shipments of precious metals for refining that are received for processing are subject to inspection and validation that the material shipped conforms to the suppliers' previously established material type and amounts deposited are consistent for that customer. Mint Office employees verify that the required supporting documentation and written declarations have been received before the material is accepted for processing. The Senior Manager, Compliance provides a quarterly quality assurance report to the Compliance Officer to assess controls related to the Responsible Metals Program such as the use and accuracy of the Advanced Shipping Notices.

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

The Mint has made ESG commitments for the next five years including in regard to responsible sourcing. The Mint is currently advancing a Refinery Integrity Project which will leverage technology to enhance the transparency and tracking of the Precious Metals that make up the Mint's refinery output products.

Step 3: Design and Implement a Management System to Respond to Identified Risks.

We have fully complied with Step 3: Design and Implement a Management System to Respond to Identified Risks.

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



The Mint did not disengage with any supplier of precious metals in 2022 due to non-conformance. Recommendations for improvement to due diligence processes will be made to one high risk supplier in 2023 as a result of a site visit completed in late 2022.

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

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

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

Step 4: Arrange for an Independent Third-Party Audit of the Supply Chain Due Diligence.

We have fully complied with Step 4: Arrange for an Independent Third-Party Audit of the Supply Chain Due Diligence.

The Mint engaged independent service provider Ernst & Young LLP ("EY") to perform a 'reasonable assurance engagement', as defined by International Standards on Assurance Engagements

The Board has approved the appointment of EY as auditor for the 2022 reasonable assurance engagement. EY's independent practitioner's assurance report is attached to this report.



Step 5: Report on Supply Chain Due Diligence

Royal Canadian Mint has fully complied with Step 5: Report on Supply Chain Due Diligence.

This compliance report has been prepared in accordance with Step 5. Further information pertaining to how the Mint's gold and silver supply chain due diligence policies and practices align with the requirements of the *LBMA Responsible Gold Guidance (version 9)* and *Responsible Silver Guidance (version 1)* has been detailed on the Mint's website [here](#). A public facing version of this report will also be made available on the website.

PART C: MANAGEMENT CONCLUSION

Royal Canadian Mint is in compliance with the requirements of the *LBMA Responsible Gold Guidance (version 9)* and *Responsible Silver Guidance (version 1)* as at December 31, 2022.

In conclusion, as at December 31, 2022 the Mint's refinery has in place policies, management systems, procedures, processes and practices consistent with the requirements set forth in the *LBMA Responsible Gold Guidance (version 9)* and *Responsible Silver Guidance (version 1)*.

The Mint is committed to ensuring it meets its social responsibilities and regulatory requirements, and will continue to review and update its internal controls on an ongoing basis. This includes continuing the implementation of ongoing program improvement initiatives and industry best-practices in 2023.

PART D: OTHER REPORT COMMENTS

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



ANNEX A – ASSURANCE STATEMENT
