

Responsible Metals Program Guidance

Royal Canadian Mint

Version 7.0

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Responsible Metals Program Guidance

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<u>Contact Officer:</u>	Chief Anti-Money Laundering Officer (CAMLO)
<u>Related Policies or Regulations:</u>	Anti-Money Laundering Anti-Terrorist Financing Compliance Policy # 15; Anti-Money Laundering Anti-Terrorist Financing Compliance Operational Procedures

1. Introduction

The Royal Canadian Mint’s refinery (the “**Refiner**”) has established controls and processes to ensure that gold and/or silver-bearing deposits processed by the Mint have not been sourced from, or have contributed to, human rights violations taking place in regions that have been internationally recognized as a conflict area (e.g. the Democratic Republic of the Congo). The following guidance details the controls and validation processes in place to meet the Mint’s social obligations in identifying the chain of custody of incoming gold and/or silver deposits. Said controls and validation processes are supplementary to the Mint’s Anti-Money Laundering and Anti-Terrorist Financing Compliance Policy and Operational Procedures.

2. Definitions

AML-ATF means anti-money laundering – anti-terrorist financing.

Beneficial Owner means the natural person(s) who ultimately owns or controls a customer and/or natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control (over 25%) over a legal person or arrangement.

Contribution to Conflict means contribution to armed aggression between two or more parties that leads to human rights abuses. The parties in conflict may include government, militia, organized criminals or terrorist groups.

Environment means the totality of all the external conditions affecting the life, development and survival of an organism.

Human Rights means those human rights defined in the International Bill of Human Rights, including worst forms of child labour, any forms of torture, inhuman and degrading treatments, widespread sexual violence or other gross human rights

violation forced or compulsory labour, war crimes, crimes against humanity or genocide.

Know Your Customer (KYC) means the process of a business identifying and verifying the identity of its counterparts and establishing the facts to have a clear understanding of the nature and background of the relationship.

Mine Gold means gold that originates from mines (large-scale, medium-scale or artisanal/small scales mines), and has never been previously refined. This term means any gold or gold-bearing material produced by or at a mine, in any form, shape and concentration, until it is fully refined (995 or greater), fabricated into a gold refinery product (e.g., bar, grain), and sold extraction. The country of origin of mining material is the location of the mine or point of initial extraction.

Mine Material means Mine Gold and/or Mine Silver, as applicable.

Mine Silver means silver that originates from mines (large-scale, medium-scale or artisanal/small scales mines). The country of origin of mining material is the location of the mine or point of initial extraction. An exception to this is Mining By-product, such as silver obtained from the mining of base metals, in that the origin of Mining By-product silver should be deemed to be the point at which trace silver is first separated from its parent mineral ore (for example, the refinery).

Mining By-product means silver that is produced from other base metal mining, for example from lead, zinc, copper ore, in which silver may be a trace constituent. When silver is a by-product, the other more important metal is processed and refined first, and the silver is then extracted and refined from the final residue of the primary metal.

Money Laundering means the practice of disguising the origins of illegally obtained money. Ultimately, it is the process by which the proceeds of crime are made to appear legitimate. The money involved can be generated by any number of criminal acts, including drug dealing, corruption and other types of fraud. The methods by which money may be laundered are varied and can range in sophistication from simple to complex.

Politically Exposed Persons (PEPs) means individuals who are or have been entrusted with prominent public functions by a country (Ex: Heads of State or government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials). The definition of PEPs is not intended to cover middle ranking or more junior individuals.

Precious Metals Origin means the origin of Mined Gold where the mine is located. The origin of Recycled Material is considered to be the point in the gold and/or silver supply chain from where the gold and/or silver is delivered to the Refiner.

Precious Metals-Supplying Counterparty means a gold and/or silver supplier that is directly engaged with the Mint as a refinery gold-supplying counterparty and/or silver-supplying counterparty.

Recycled Material means anything that is gold-bearing and/or silver-bearing (as applicable) and has not come directly from a mine (including from intermediate sellers and processors who deal with mining material), and has previously been refined. In practical terms, recyclable material includes end-user, post-consumer products, scrap and waste metals and materials arising during refining and product manufacturing, and investment gold and gold-bearing products and/or investment silver and silver-bearing products. This may include fully-refined gold and/or silver that has been fabricated into grain, good delivery bars, medallions and coins that have previously been sold by a refinery to a manufacturer, bank or consumer market, and that may thereafter need to be returned to a refinery to reclaim their financial value.

Supplier means any individual or organization who is considered to be a participant in the supply chain for the supply of gold and gold-bearing materials and/or silver and silver-bearing materials, as applicable.

Sustainable Development means development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Terrorist Financing means the financing of terrorist acts, of terrorists and of terrorist organizations.

3. Purpose and Scope

The purpose of this document is to provide a definitive guideline as to the proper process of identifying and validating the chain of custody for all incoming gold-bearing refining deposits and/or silver-bearing refining deposits, to ensure that the following risks associated with the supply chain from the Precious Metals Origin to the Refiner have been assessed:

- 3.1.1. Systematic or widespread Human Rights abuses associated with the extraction, transport or trade of gold and/or silver, including worst forms of child labour, any forms of torture, inhuman and degrading treatments, widespread sexual violence or other gross human rights violation, forced or compulsory labour, war crimes, crimes against humanity or genocide;
- 3.1.2. Direct or indirect support to illegitimate non-state armed groups or public or private security forces which illegally control mine sites, traders, transport routes through the supply chains or illegally tax or extort money

or minerals through the supply chains (“illegitimate non-state armed groups, public or private security forces”);

- 3.1.3. Non-compliance with taxes, fees and royalties due to Governments related to mineral extraction, trade and export from conflict-affected and high-risk areas;
- 3.1.4. Bribery and fraudulent misrepresentation of the Precious Metals Origin;
- 3.1.5. Money Laundering and Terrorist Financing;
- 3.1.6. Contribution to Conflict.

These requirements apply to all incoming gold-bearing and/or silver-bearing deposits to be refined at the Royal Canadian Mint, and more specifically:

- 3.1.7. Mine Material;
- 3.1.8. Recyclable Material.

4. Organizational Structure and Responsibilities

The Chief Anti-Money Laundering Officer (the “**CAMLO**”) is the designated Compliance Officer responsible and accountable for:

- 4.1.1. Overseeing the supply chain due diligence process implemented by the affected business line(s) and related employees;
- 4.1.2. Reviewing the supply chain due diligence process and assessing if the due diligence conducted is adequate, requesting additional documentation or information as necessary;
- 4.1.3. Ensuring appropriate measures are executed in cases of high-risk supply chains or transactions;
- 4.1.4. Ensuring that training is delivered to affected business line(s) and related employees;
- 4.1.5. Ensuring the availability of resources necessary to support the operation and monitoring of said process;
- 4.1.6. Providing periodic briefings to both the senior management team and the Board of Directors;
- 4.1.7. Updating this guidance as required.

The CAMLO has delegated the above-listed duties to the Director, Regulatory Affairs (Compliance), and Senior Manager, Compliance who are responsible for carrying out the above-listed duties and working with the supporting Compliance team - comprised of the Coordinator, Compliance - and the RCM’s internal stakeholders in order to allow the CAMLO to fulfill his accountabilities.

The Director, Regulatory Affairs (Compliance) and the Director, Refining and Inventory Management are responsible for ensuring that sufficient resources are allocated for the effective implementation of the Responsible Metals Program requirements. Incidences of non-compliance are to be reported to the CAMLO for further action as required.

Employees involved in the process of receiving precious metals for refining are responsible for ensuring that they have completed all relevant training sessions, and comply with the Responsible Metals Program requirements set forth in this guidance.

Any employee who is found to be failing to meet his or her responsibilities under this guidance is in violation of this guidance, and will be subject to discipline up to and including discharge, in accordance with the RCM Discipline Policy and the RCM Code of Conduct.

5. Criteria for High-Risk Gold and/or Silver Supply Chain

Prior to entering into a business relationship with a given Precious Metals-Supplying Counterparty, and in accordance with the Mint’s AML-ATF Compliance Policy, a due diligence assessment is to be performed to determine the risk rating of said Precious Metals-Supplying Counterparty, and identify whether said supply chain meets the criteria of a “high-risk” supply chain. Where the Mint has entered into a business relationship with a Precious Metals-Supplying Counterparty prior to the effectivity date of this guidance, a due diligence assessment is to be performed as soon as reasonably practicable following said effectivity date.

The following criteria should be considered for high-risk categories:

- 5.1.1. The Mine Material or Recycled Material originates from, has transited or has been transported via a conflict-affected or Human Rights abuse high-risk area.
- 5.1.2. The Mine Material is claimed to be originating from a country that has limited known reserves, likely resources or expected productions levels of gold and/or silver, as applicable.
- 5.1.3. The Mine Material comes from a country where gold and/or silver from conflict-affected and Human Rights abuse high-risk areas are known, or reasonably suspected to transit;

- 5.1.4. Precious Metals-Supplying Counterparty or other known upstream companies are located in a country representing high-risk for Money Laundering, crime or corruption;
- 5.1.5. Precious Metals-Supplying Counterparty or other known upstream companies or their beneficial owners are politically exposed persons, unless the Counterparty or other known upstream companies in question are a domestically publicly traded company, a domestic private company, a domestic government entity and a foreign government entity.; Precious Metals-Supplying Counterparty or other known upstream companies are active in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, diamond merchants, sects and their leaders;
- 5.1.6. The Mine Gold originated from artisanal mining.

6. Determination of Risk In the Gold and/or Silver Supply Chain

The due diligence assessment to be conducted for each Precious Metals-Supplying Counterparty is to be conducted in accordance with the Mint’s Anti-Money Laundering and Anti-Terrorist Financing policy and procedures, and the following prescribed measures:

- 6.1.1. Identifying the counterparty, and verifying its identity using reliable, independent source documents, data or information;
- 6.1.2. Identifying Beneficial Owners of the counterparty;
- 6.1.3. Checking names of beneficial owners against government issued AML-ATF watch lists;
- 6.1.4. Obtaining business and financial details regarding the company;
- 6.1.5. Obtaining information on the company’s nature of business and the intended business relationship with the Mint, including proposed refining volumes; and
- 6.1.6. Assessing risk of company’s geographic location.

For Mine Material, the following additional due diligence verifications and assessments should be conducted:

- 6.1.7. Identifying the Precious Metals Origin based on reasonable and good faith efforts;
- 6.1.8. Obtaining mining license, if applicable;

- 6.1.9. Obtaining import/export license, if applicable;
- 6.1.10. Collecting and assessing mining practice, including extraction, processing and transportation method, and assessing of Human Rights abuses risk;
- 6.1.11. Obtaining data on mining (production and processing) capacity, if available.

For Mine Gold from artisanal and small-scale mining (ASM), the following additional due diligence verifications and assessments should be conducted:

- 6.1.12. Identifying suppliers of ASM gold sources to local gold exporter, including local artisanal mining team, association or cooperatives using reliable, independent information;
- 6.1.13. Assessing whether the ASM can be considered involved in legitimate artisanal and small-scale mining;
- 6.1.14. Whenever ASM gold does not come from legitimate artisanal and small-scale mining, supporting measures to build, secure, transparent and verifiable gold supply chains from mine to market, such as suggested measures on Appendix 1 of Supplement on Gold of OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.
- 6.1.15. Assessing the environmental impact of the supply chain.
- 6.1.16. Assessing Health and Safety risk of Miners.
- 6.1.17. In case of utilization of mercury, understanding how mercury is stacked, handled, used and recovered and assess impact on environment and on the health of those involved in the production, handling and processing of gold.

For Mined Gold from Medium and Large-Scale Mining (LSM), the following additional due diligence verifications and assessments should be conducted:

- 6.1.18. Identifying if the gold is purchased by the gold-supplying counterparty from third party producers, including ASM.
- 6.1.19. Determining compliance with Environmental and Sustainability legal requirements.
- 6.1.20. Assessing the environmental policies and practices of producers.
- 6.1.21. Assessing the impact (negative or positive) that supply chains have on local communities.

- 6.1.22. Assessing if all employees along the precious metal supply chain have free access to all appropriate Personal Protective Equipment (PPE) and receive regular documented Health and Safety Training, either when starting employment, transferring to a new roles or on a refresher basis. Employees should as well be offered health monitoring and screening to prevent workplace illness;

For Recycled Material, the following additional due diligence verifications and assessments should be conducted:

- 6.1.23. Obtaining written confirmation that the Precious Metals-Supplying Counterparty has an AML-ATF compliance policy and practices in effect, and/or obtain copy of said policies, if available. To the extent that the Precious Metals-Supplying Counterparty is operating in country with an established higher risk for money laundering and/or terrorist financing, assess the Recycled Material-Supplying Counterparty's AML-CFT policy and practices based on the scale of their operations.

Due diligence should be conducted on an ongoing basis and Precious Metals-Supplying Counterparty records and related risk assessments should be updated to reflect updates to the Precious Metals-Supplying Counterparty's profile, as applicable. In any event, at a minimum, records and related risk assessments for Precious Metals-Supplying Counterparties deemed higher risk should be reviewed and updated annually; records and related risk assessments for all other Precious Metals-Supplying Counterparties should be reviewed once every two (2) years.

7. Responding to Identified Risks

Where a high-risk category has been, identified, enhanced due diligence should be performed and documented on file. Said enhanced due diligence includes, but is not limited to, completing the following additional measures:

- 7.1.1. On-site visit/investigation for high-risk supply chain, aimed at substantiating the documentary supply chain due diligence findings, within the first six (6) months of the business relationship, or within six (6) months of re-classification of existing Precious Metals-Supplying Counterparty as high-risk. As part of an on-site visit at a high-risk gold mine site, 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. Follow-up site visit(s) for high-risk supply chain will be carried out within a reasonable timeframe and the frequency of those will depend on the number and severity issues identified in respect of the Precious Metals-Supplying Counterparty;

- 7.1.2. Taking proportionate measures to assess the Precious Metals-Supplying Counterparty's compliance with the payment of taxes, fees and royalties due to governments/government agencies on mineral extraction, trade and export.
- 7.1.3. As part of the due diligence review over the transportation companies servicing high risk customers, the Mint staff will make reasonable efforts to search for transportation companies publicly available policies on human rights and anti-corruption. If they find relevant policies in the public domain, they should review them and keep a copy in the transportation companies' respective Know Your Supplier files. If the search reveals that the transportation company does not have publicly available policies on human rights and/or corruption, no further action is required other than to document their findings.

For gold from LSM, the following additional due-diligence should be conducted:

- 7.1.4. (1) For each company involved in the chain from the mine to the Refiner (including gold producers, intermediaries, gold traders and exporters, and transporters) doing the following: a) verification of the identity using reliable, independent source documents, data or information; b) identification of the beneficial owners; and c) checking of government watch-list information. For transportation companies, the company's policies and procedures relevant to human rights and corruption should be obtained if available in the public domain;
- (2) Understanding progressively the nature of public or private security services provided at the mine site(s) and through the supply chain (including the screening and training of security employees). Such assessment may be made during the on-site visit; and
- (3) During the on-site visit, (i) estimating the number of ASM miners (if any) on the producer's concession and assessing whether they can be considered to be involved in legitimate ASM, (ii) identifying instances of conflict or tensions between the producer and the ASM actors, and (iii) assessing if gold from other sources is being unknowingly introduced into the gold producer's processing operation.

For gold from LSM located in conflict or Human Rights abuse high-risk areas the following additional due diligence should be conducted:

- 7.1.5. (1) Collecting proportionate KYC on each company involved in the chain from the mine to the Refinery (including gold producers, intermediaries, gold traders and exporters, and transporters); (2) assessing the militarisation of mine sites and transportation routes and the risk of direct or indirect support to illegitimate non-state armed group or public or private security forces, where relevant; and (3) collecting evidence of any

serious abuse of Human Rights committed by any party at mine sites, transportation routes and points where gold is traded and/or exported. ‘

For gold from ASM:

- 7.1.6. For each company involved in the chain from the gold exporter to the Refiner (including international gold traders and transporters) do the following: (1) verification of the identity using reliable, independent source documents, data or information; (2) identification of the beneficial owners; and (3) checking of government watch-list information;

For gold from ASM located in conflict or Human Rights abuse high-risk areas the following additional due diligence should be conducted:

- 7.1.7. (1) Collecting progressively proportionate KYC on each company located in conflict or Human Rights high-risk areas involved in the chain from the gold exporter to the Refiner (including intermediaries, gold traders and exporters, and transporters); (2) collecting information on the government, political or military affiliations of ASM suppliers including in particular any reported instances of affiliation with non-state armed group and/or public or private security forces; (3) collecting evidence of any serious abuse of Human Rights committed by any party at mine sites, transportation routes and points where gold is traded and/or exported; (4) assessing the militarisation of mine sites and transportation routes and risk of direct or indirect support to illegitimate non-state armed group or public or private security force, where relevant; and (5) during the mandatory on site visit, identifying any instances of conflict or tensions between LSM and the ASM actors and assess if gold from other sources is being unknowingly introduced into the supply chain.

For Recycled Material:

- 7.1.8. For each company involved in the chain from the Precious-Metals Supplying Counterparty to the Refiner (including transporters) do the following: (1) verification of the identity using reliable, independent source documents, data or information; (2) identification of the beneficial owners; and (3) checking of government watch-list information;
- 7.1.9. Obtain further information to establish the precious metals-suppliers identity;
- 7.1.10. Request additional, documented information regarding precious metals-supplying counterparties’ controls to safeguard operations from abuse by money-launderers, terrorists;

Where a PEP has been identified, obtaining further information, when possible, to further assess potential risk of transacting with the related precious metals-supplying counterparty, which may include:

- 7.1.11. The related country and its government where the PEP is operating;
- 7.1.12. The PEP’s position and potential exposure to corruption and bribery;
- 7.1.13. An understanding of the PEP’s source of wealth and income, business dealing and exposed persons surrounding the PEP; and/or
- 7.1.14. PEP’s role in relation to the Mint.

Where the result of the supply chain due diligence concludes that there is Money Laundering, Terrorist Financing, direct or indirect support to illegitimate non-state armed group, serious Human Rights abuse or fraudulent misrepresentation of the origin of minerals, the Mint will cease refining material from this provenance and report it to the appropriate authorities if applicable.

Where the result of the supply chain due diligence concludes there is a possibility of that there is Money Laundering, Terrorist Financing, serious Human Rights abuse, direct or indirect support to illegitimate public or private security forces, bribery or fraudulent misrepresentation of the origin of minerals, and the risk of same is deemed too high such that the identified risks cannot be sufficiently mitigated, the Mint will suspend refining material from this provenance until it can obtain additional information/data confirming or refuting the preliminary assessment.

Where the result of the due diligence (i) is not fully satisfactory, meaning that the Precious Metals-Supplying Counterparty’s supply chain due diligence measures and processes are deemed not fully adequate to mitigate the possibility of any of the risk identified under section 3.1 of this Guidance, or (ii) concludes that there is direct or indirect support to illegitimate public or private security forces, bribery, non-fraudulent misrepresentation of the origin of minerals or non-compliance of taxes, fees and royalties due to the government, but the assessed company in the supply chain is using reasonable and good faith effort, the Mint may continue refining material from this source provided that it adopts an improvement strategy, devised with input and engagement from the supplier, stating clear performance objectives within a reasonable timeframe.

Where an improvement strategy has been provided, said strategy should include clear performance objectives, including qualitative and quantitative indicators in order to measure improvement. Significant and measurable improvement towards eliminating relevant risk(s) within six months from the adoption of the risk management plan should be identified. Additional measures should then be defined in a revised improvement strategy, based on the progress achieved within the first six months. If no such measurable improvement can be demonstrated within the six-

month period, suspend the relationship until the supplier has responded to the improvement plan.

Said strategy and its effectiveness should be subject to on-going monitoring with regular reports made to Senior Management. Upon the deadline, an assessment should be performed in order to determine if the measures have been properly taken. Senior Management should be informed of the results and decide whether to continue with, disengage or suspend the business relationship. Senior Management should consider suspending or discontinuing engagement with a supplier after failed attempts at mitigation within six months from the adoption of the improvement strategy.

8. Reporting to Senior Management

Where a supply chain and/or Precious Metals- Supplying Counterparty has been assessed as high risk, the CAMLO shall assess the due diligence findings and determine whether the Mint will accept or continue with the business relationship based on the appropriate risk mitigation measures. Due diligence findings and risk mitigation measures shall be re-evaluated at a minimum on a yearly basis by the CAMLO. If the CAMLO concludes that the risk can no longer be mitigated, a recommendation will be made to the CCO, or any Mint official acting in that capacity, to suspend or terminate the relationship with the Counterparty. Should the CCO disagree with the recommendation, the matter shall be brought to the attention of the CEO for resolution. The CAMLO may at his/her own discretion raise the matter with the Board of Directors if deemed necessary.

9. Monitoring of Transactions:

Each new Precious-Metals Supplying Counterparty and its Beneficial Owners are to be screened against the Dow Jones databases and subject to Dow Jones ongoing screening thereafter. For more information, see Work Instruction RWI-MO-07 “KYC Process”.

For each incoming Mine Material deposit, the following documentation is to be collected:

- 9.1.1. Bar list with Precious Metals-Supplying Counterparty’s estimated weights and assay results;
- 9.1.2. Export form, if applicable;
- 9.1.3. Import form, if applicable;
- 9.1.4. Shipping and/or transportation documents (e.g. waybill, airwaybill, proforma invoice).

For each incoming deposit of Recycled Material, the following documentation is to be collected:

- 9.1.5. Description of the material;
- 9.1.6. Packing list with Precious Metals-Supplying Counterparty's estimated weights and assay results, if available;
- 9.1.7. Export form, if applicable;
- 9.1.8. Import form, if applicable;
- 9.1.9. Shipping and/or transportation documents (e.g. waybill, airway bill, proforma invoice).

In the event that documentation provided by the Precious Metals-Supplying Counterparty is inconsistent with information previously established about the Precious Metals-Supplying Counterparty, the employee who has identified said inconsistency should notify refinery management and the CAMLO and/or the CAMLO's delegate, as applicable, for further review. The Mine Material and/or Recycled Material, as applicable, should be physically segregated and secured until the inconsistencies are resolved.

10. Training Requirements

Training shall be provided to all employees who are involved in the receiving and processing of precious metals-bearing material. Said training shall be provided on an annual basis.

11. Audit Requirements

The Mint will arrange for the annual auditing of the gold and silver supply chain of custody controls and processes in place by an independent third party. Said audit should occur within three (3) months following the closing of the financial books for the given period and shall comply with the audit requirements as prescribed by the London Bullion Market Association.

12. Questions of Interpretations

Any questions regarding the Responsible Metals Program Guidance should be directed to the Chief Anti-Money Laundering Officer or the Director of Regulatory Affairs (Compliance)