



## Independent Limited Level Assurance Report

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

We have carried out a limited assurance engagement on Royal Canadian Mint's (the "Mint's") Compliance Report (the "Report") for its refinery for the year ended 31 December 2019.

#### **Subject matter and criteria**

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

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

#### **Management's responsibilities**

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

#### **Our responsibilities**

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. Our assurance engagement has been planned and performed in accordance with the International Standard on Assurance Engagements ISAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our procedures were designed to obtain a limited level of assurance on which to base our conclusions. While we considered the effectiveness of management's internal controls when

determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls and, accordingly, we express no conclusions thereon.

This report has been prepared for the Mint for the purpose of assisting management in determining whether the Mint's Refinery has complied with the Guidance and for no other purpose. Our assurance report is made solely to the Mint in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than the Mint for our work, or for the conclusions we have reached in our assurance report.

#### **Limited assurance procedures performed**

We planned and performed our work to obtain all the evidence, information and explanations considered necessary in relation to the above scope. These procedures included:

- Enquiries of management to gain an understanding of the Mint's processes, and risk management protocols in place.

- Enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Report.

- A walkthrough of the Mint's refinery to understand the security measures and controls in place to support the movement of gold and silver at the refinery level.

- Assessing the suitability of policies, procedures and internal controls that the Mint has in place to conform with the Guidance.

- Review of a selection of the supporting documentation.

- Review of the presentation of the Report to ensure consistency with our findings.

#### **Inherent limitations**

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

#### **Our independence, quality control and competency statement**

We have complied with the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Control, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and,



accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the LBMA *Responsible Sourcing Programme Third Party Audit Guidance* to carry out the assurance engagement.

### Conclusion

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that the Mint's Refinery Compliance Report for the assessment period 1 January 2019 to 31 December 2019, did not in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein, is not in accordance with the requirements of the Guidance.

Chartered Accountants  
Licensed Public Accountants

Toronto, Canada  
April 1, 2020

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**PART A: REFINER'S DETAILS**

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Refiner's Name: Royal Canadian Mint  
Location: Ottawa, Ontario, Canada  
Reporting Year-End: December 31, 2019  
Date of Report: March 31, 2020  
Date of Audit Completion: March 31, 2020

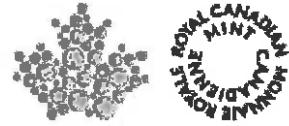


Senior Management  
Responsible for this Report:

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Simon Kamel,  
Chief Anti-Money Laundering Officer

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

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

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

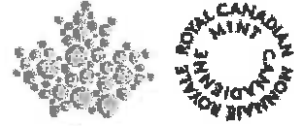
The Royal Canadian Mint (hereafter "the Mint") has in place a corporate Responsible Metals Program and Anti-Money Laundering/Anti-Terrorist Financing and Know Your Customer ("KYC") Program, which are consistent with the requirements set forth by the London Bullion Market Association's *Responsible Gold Guidance* and *Responsible Silver Guidance*. 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 Chief Anti-Money Laundering Officer has been designated as the Compliance Officer for the Responsible Metals Program. The Compliance Officer is responsible for providing independent oversight and support of the day-to-day execution of the Responsible Metals Program activities by the Bullion and Refinery, Tax and Compliance, and Mint Office employees. The Senior Program Manager, Compliance and the Director, Regulatory Affairs (Compliance) provide support to the Compliance Officer in fulfilling these obligations.

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

The Mint also has a Compliance Manager and Compliance Coordinator who work directly with the Mint's business lines to conduct KYC and on-board prospective customers. They also conduct 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, warranting that the material contained therein has been sourced responsibly and does not originate from illegal mining



operations in internationally designated conflict areas. 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 responsibly sourcing. This is supplementary to the warranty made by suppliers for their deposits.

The Senior Program Manager and Director of Regulatory Affairs (Compliance) ensure responsibilities and information pertaining to the program are communicated to Senior Management, and to Mint employees who are responsible for the receiving and refining of deposits. They are supported by the Tax and 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. In 2019, the Mint updated its on-line training module as part of its Responsible Metals Program to include Environmental, Social and Governance, to take into account the LBMA's updated eighth version of the *Responsible Gold Guidance*. The fully bilingual online training module was launched in November of 2019 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. On-line training enables the Mint to maintain electronic training records, including the names of employees who completed the online training and respective dates of completion. Hundred eighty-eight employees for whom the training is mandatory completed the training in 2019.

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, whereby the Mint reviews and discusses the suppliers' AML/ATF/CFS policies and programs, and confirms business details previously provided by the suppliers.

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



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

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

The Mint has identified and assessed the risks for each of 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. New for 2019 was the start of due diligence respecting Environmental, Social and Governance, where high-risk mines were asked to show proof of compliance with local environmental laws and regulations. Where the Mint maintains a relationship with a high-risk supplier, the Mint has implemented enhanced due diligence risk mitigation strategies and briefed Senior Management.

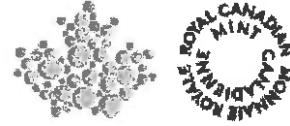
The supplier due diligence process includes collecting and verifying the suppliers' business and financial details, verifying that the supplier and/or its beneficial owners are not on any economic, money laundering, or terrorist financing watch lists or listed as Politically Exposed Persons, and obtaining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

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

All shipments of material received for processing are subject to inspection and validation that the material shipped conforms to the suppliers' previously established material type 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.

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

Furthermore, the Mint has put in place a more robust whistle-blowing program to include 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.



**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.

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

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

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





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

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

The Mint's refinery has engaged the services of the assurance provider Ernst & Young LLP. Ernst & Young LLP conducted a reasonable assurance of the Mint's Responsible Metals Program and due diligence based on the *LBMA Responsible Gold Guidance* and *Responsible Silver Guidance*, and using the ISAE 3000 standard. Their reasonable assurance report is attached to this Report as Annex A.

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

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

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

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**PART C: MANAGEMENT CONCLUSION**

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**Royal Canadian Mint is in compliance with the requirements of the *LBMA Responsible Gold Guidance* and *Responsible Silver Guidance* as at December 31, 2019.**

In conclusion, as at December 31, 2019 the Mint's refinery has in place policies, management systems, procedures, processes and practices consistent with the requirements set forth in the *LBMA Responsible Gold Guidance* and *Responsible Silver Guidance*.

The Mint is committed to ensuring it meets its social responsibilities and regulatory requirements, and will continue to review and update its internal controls on an ongoing basis. This includes continuing the implementation of ongoing program improvement initiatives and industry best-practices in 2020.



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

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