

Policy #56

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Responsible Sourcing (Precious Metals) Policy

<u>Policy Number:</u>	#56
<u>Effective Date:</u>	November 16, 2022
<u>Related Legislation:</u>	<i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act.</i>
<u>Related External References:</u>	LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance (“LBMA Guidance”) OECD Due Diligence Guidance for Responsible Supply Chains of Responsible Minerals from Conflict Affected and High-Risk Areas (“OECD Due Diligence Guidance”)
<u>Related Internal Policies:</u>	Code of Conduct and Ethics #1 Anti-Money Laundering/Anti-Terrorists Financing Compliance Policy #15, and related Anti-Money Laundering Anti-Terrorist Financing Compliance Operational Procedures
<u>Directives and Procedures:</u>	
<u>Contact Officer:</u>	Vice-President, General Counsel and Corporate Secretary

1. Introduction

- 1.1 The Royal Canadian Mint (the “RCM”) is committed to ensuring its Precious Metals refinery and refining services meet the highest responsible sourcing standards. The RCM’s commitment to promoting, supporting and engaging with secure, transparent, and verifiable mined or recycled Precious Metals supply chains is the cornerstone of this Policy. The RCM ensures compliance with the requirements of the London Bullion Market Association responsible sourcing requirements and recognizes that responsible sourcing is an important and constantly evolving global issue. The RCM has made Environmental Social and Governance commitments in relation to responsible sourcing and manufacturing a strategic priority.
- 1.2 The RCM has established a supply chain due diligence framework:
 - 1.2.1 to ensure that Precious Metals processed by the RCM do not originate from organizations or supply chains which (a) contribute to, assist with or facilitate human rights abuses or conflict; (b) directly or indirectly support illegitimate non-state armed groups; (c) fail to comply with

taxes, fees and royalties due to governments related to mineral extraction, trade and export; (d) engage in bribery and fraudulent misrepresentation of the origin of their Precious Metals; (e) engage in money laundering or terrorism financing; or (f) contribute to conflict;

1.2.2 to address ESG Factors in their Precious Metals supply chain by making enquiries on related policies and practices; and,

1.2.3 to support the RCM's leading Responsible Metals Sourcing and Manufacturing Program (or "RMSM Program"), and the achievement of the strategic objectives embedded within its ESG commitments.

2. **Definitions**

2.1 Definitions to be used in the interpretation of this Policy are in **Appendix A - Definitions**.

3. **Scope and Application**

3.1 **Scope**

All Precious Metals refined by the RCM are subject to this Policy.

3.2 **Application**

This Policy applies to all employees, officers, contractors, and agents or representatives of the RCM who are involved in the receiving and processing of Precious Metals at RCM, and assigns accountability and responsibilities to these individuals as appropriate.

Customers are required by contract to commit to this Policy or their own OECD Due Diligence Guidance Annex II-aligned responsible sourcing policy. Where a Customer chooses to commit to this Policy, they must comply with **Appendix B - Responsible Sourcing Policy for Customers**. For Customers with their own OECD Due Diligence Guidance Annex II-aligned policy, their policy will be incorporated into their refining agreement(s) with the RCM.

4. **Policy Objectives**

4.1 This Policy establishes a governance framework for Precious Metals supply chains that:

- Identifies and validates the chain of custody for all incoming Precious Metals;
- Identifies and assesses Precious Metals' sourcing Supply Chain Risks using a risk-based approach;
- Implements management strategies to respond to identified Supply Chain Risks;
- Ensures full compliance with responsible sourcing requirements specified in the LBMA Guidance, as they may evolve; and,
- Demonstrates openness and transparency about the RCM's Responsible Metals Sourcing and Manufacturing Program.

5. **Authority**

- 5.1 This Policy was first approved by the Board of Directors on November 16, 2022 and issued under the authority of the President and CEO (CEO).

6. **Policy Framework**

The policy framework outlined below supports the RCM's broader Responsible Metals Sourcing and Manufacturing Program. It has three essential pillars, the first of which is the five-step due diligence framework (outlined in Section 6.1 through 6.5) mirroring the procedural requirements set out in the OECD Due Diligence Guidance and the LBMA Guidance. The latter pillars are the training and awareness program, in which all directors, officers and employees who are involved in the receiving and processing of Precious Metals must participate, and the record maintenance requirements.

6.1 **Establish a Responsible Metals Sourcing and Management System to identify and validate the chain of custody for all incoming Precious Metals**

In order to ensure the effective implementation and continuous improvement of the RMSM Program, the Board of Directors is ultimately accountable for its oversight. The RCM will ensure the appointment of a Compliance Officer to be responsible for the overall management of the RMSM Program, who will report at least annually to the Board of Directors in accordance with this Policy.

The RCM also recognizes the importance of building strong, long-term relationships with its Customers that are based on trust and mutual recognition, and commits to working in collaboration with them to promote ethical and responsible sourcing practices throughout the supply chain. In this context, the RCM has established and maintains a Precious Metals traceability system that identifies the origin of gold and/or silver from the upstream parties involved in the supply chain. Under this system, the RCM requires Customers to provide traceability information that includes, but is not limited to: proof of origin for Mined Gold and Recycled Gold, unique lot identification, specification relating to the type of gold and/or silver received and its country of origin, declared and processed assay and weight, shipping information, export and import forms (if applicable for high risk transaction), and the arrival and assay finalization dates. The RCM will consider technology solutions to enhance transparency and efficiency in supply chain traceability.

With a view to enhancing transparency in the RMSM Program, the RCM ensures that its third-party whistleblowing service, ClearviewConnects, is available to employees and external stakeholders to voice concerns over the gold and/or silver supply chain or any newly identified Supply Chain Risk confidentially.

6.2 **Identify and assess Precious Metals' sourcing Supply Chain Risks using a risk-based approach**

(a) Conduct supply chain due diligence to identify potential Supply Chain Risks

For each Customer, the RCM performs supply chain due diligence following a risk-based approach. As part of this due diligence process, the RCM identifies and assesses the risks associated with, among others, the location (including origin) and the supply chain of the

Precious Metals, and the type of Precious Metals sourced. More detailed information on the measures undertaken to identify potential Supply Chain Risks and address adverse ESG Factors can be found in **Appendix C – Due Diligence Measures/Transactions Monitoring**.

Supply chain due diligence is performed before entering into a new Customer relationship, and throughout the resulting business relationship.

The RCM further monitors Customer transactions using a risk-based approach to ensure that they are consistent with the RCM's knowledge of the supply chain, Customer and risk profile. More information on the measures undertaken to monitor transactions can be found in **Appendix C – Due Diligence Measures/Transactions Monitoring**.

(b) Classify supply chains based on risk profiles

The RCM classifies the risk associated with a given supply chain based on the results of its initial supply chain due diligence and the type of Precious Metals material sourced, in accordance with the LBMA Guidance. The RCM also incorporates ESG Factors into its risk classification criteria. The RCM periodically (or at a minimum annually for a High-Risk Supply Chain) reviews and updates the classification throughout the course of the business relationship with the Customer.

Where Zero Tolerance Issues are identified, the RCM does not enter into a business relationship with the Customer or terminates the existing business relationship immediately, as applicable.

(c) Undertake enhanced due diligence measures for High-Risk Supply Chains

Where a High-Risk Supply Chain is identified, the RCM undertakes enhanced due diligence measures in accordance with the LBMA Guidance.

The Compliance Officer, in consultation with the Chief Commercial Officer, must decide whether to enter into or continue the business relationship (as applicable). Where the business relationship continues, due diligence measures must be performed annually, with the Compliance Officer re-visiting the decision to maintain the relationship each year.

6.3 Implement management strategies to respond to identified Supply Chain Risks

(a) Devise a risk management strategy for the identified risk

The RCM implements risk mitigation or management strategies where risks are identified.

Where the RCM identifies, through enhanced due diligence measures, that the Customer has engaged in money laundering or terrorist financing, committed serious human rights abuses, supported illegitimate non-state armed groups or fraudulently misrepresented the origin of their materials, it immediately ceases refining activity.

Where the RCM has a *founded suspicion* that the Customer is engaging in money laundering or terrorist financing, committing serious human rights abuses, supporting illegitimate non-state armed groups, or fraudulently misrepresenting the origin of their materials, it suspends refining activity. Refining activity remains under suspension until

the RCM is reasonably satisfied that the Customer is not engaged in these activities. The Compliance Officer must approve the resumption of refining activity with said Customer.

Where a supply chain is classified as High-Risk and the results of the RCM's periodic (or at a minimum, annual) enhanced due diligence are not satisfactory to the RCM, it requires the Customer to adopt an improvement plan which requires them to make meaningful improvements in the supply chain to mitigate and/or eliminate the risks identified. The Compliance Officer must approve the improvement plan.

(b) Monitor the improvement plan

Where an improvement plan is adopted for a High-Risk Supply Chain, the Director, Regulatory Affairs (Compliance) will monitor its implementation by the Customer periodically (at a minimum annually), and will update the Compliance Officer, with a view to determining whether to continue the relationship.

Notwithstanding the foregoing, the RCM looks to identify significant and measurable improvements toward mitigating and/or eliminating the Supply Chain Risks identified within six (6) months of the adoption of the improvement plan. Where limited or no measurable improvement can be demonstrated within these six (6) months, the Compliance Officer may suspend refining activity until the Customer responds effectively to the improvement plan or terminate the business relationship.

(c) Report findings to the Board of Directors

The Compliance Officer periodically (or at a minimum, annually) provides the Board with relevant statistics on High-Risk Supply Chains, status updates regarding Customers for which refining activity has been suspended or terminated, and reports on the progress and effectiveness of improvement plans. Where Zero Tolerance Issues are identified for an existing Customer, the Compliance Officer will advise the CEO and the Board immediately.

(d) Continuously monitor the adequacy of risk management strategies

Precious Metals supply chains require ongoing risk monitoring. After implementing a risk management strategy, or where a change in the supply chain has been identified, the RCM assesses whether or not supply chain due diligence must be repeated.

6.4 Ensure independent third-party assurance on supply chain due diligence to ensure compliance with the responsible sourcing requirements specified in the LBMA Guidance, as they may evolve

The RCM ensures that its Precious Metals supply chain due diligence processes and Policy are independently audited by an LBMA-approved Assurance Provider annually. The assurance engagement must be performed in accordance with ISAE 3000 assurance standards, or other standards as may be determined by the LBMA.

The RCM will rotate Assurance Providers at a minimum every ten years beginning on January 1, 2022 on a comply or explain basis, subject to LBMA approval.

6.5 Annually report on Precious Metals supply chain due diligence in order to demonstrate openness and transparency about the RMSM Program

The RCM has a duty to publicly report on its Precious Metals supply chain due diligence process, practices and performance annually, with appropriate regard for security, commercially sensitive information of the RCM or the Customers, data protection and legal rights of the parties. The report will meet the requirements specified in the LBMA Guidance and will be posted on the RCM website.

6.6 **Employee Training and Awareness**

Annual training shall be provided to all directors, officers and employees who are involved in the receiving and processing of Precious Metals at the RCM.

6.7 **Record Maintenance**

The RCM shall maintain records to demonstrate compliance with this Policy for a period of at least five (5) years after the performance of the activity.

7. **Roles and Responsibilities**

7.1 **Board of Directors**

- Ensures internal accountability for the effectiveness of the supply chain due diligence policies and processes.
- Assesses whether effective structures and communication processes are in place for critical information, including this Policy, to reach relevant employees and Customers.
- Regularly, and at a minimum annually, assesses the effectiveness of supply chain due diligence policies and processes to drive continuous improvement.
- Assesses whether an appropriate Compliance Officer has been appointed to take responsibility for all matters regarding the supply chain.
- Assesses whether the Compliance Officer has sufficient support in terms of the availability of resources necessary to support the operation and monitoring of the supply chain due diligence processes and systems.
- Approves the third-party independent auditor and ensure that the auditor is independent and has the requisite competencies, and capacity to carry out the audit engagement.

7.2 **President and CEO**

- Appoints the Compliance Officer, who must be a senior person in the organization reporting directly to the CEO and/or the Board.
- Provides leadership in implementing this Policy at the RCM.
- Approves directives as needed in relation to this Policy

7.3 **Compliance Officer**

- Reviews the supply chain due diligence process and assesses if the due diligence conducted is adequate, requesting additional documentation or information as necessary.
- Ensures effective structures and communication processes are in place for critical information, including this Policy, to reach relevant employees and Customers.

- Ensures the availability of sufficient resources (including capacity and experience) necessary to support the operation and monitoring of the supply chain due diligence processes and systems.
- Ensures that employees are trained with respect to supply chain risks (including threat finance and ESG) and that this Policy and any associated procedures are kept up to date.
- Reviews Know Your Customer (KYC) files and risk classifications, and requests additional documentation or information, as necessary.
- Ensures that appropriate measures are executed in cases of high-risk supply chains or transactions, including in consultation with the Chief Commercial Officer.
- Provides proper and timely information for the CEO and the Board to perform their duties.
- Ensures the conduct of any other activities that are needed to ensure compliance with the LBMA Guidance.

7.4 **Chief Commercial Officer**

- Consults with the Compliance Officer on the decision to enter, terminate, suspend or maintain a high-risk refining relationship
- Ensures employees within the Commercial section attend RMSM Program training
- Ensures compliance with the Policy, and the allocation of appropriate resources for the effective implementation of the RMSM Program requirements.

7.5 **Director, Regulatory Affairs**

- Ensures that sufficient resources are allocated for the effective implementation of the RMSM Program requirements.
- Manages the day-to-day aspects of the RMSM Program.
- Ensures risk assessments are completed and issues regarding High Risk Supply Chains and proposed mitigations are escalated to the Compliance Officer.
- Manages responsible metals audits.
- Identifies emerging issues.
- Responds to inquiries relating to the RMSM Program.
- Develops employee training and awareness materials and ensures its delivery to all appropriate stakeholders.

7.6 **Director, Refinery**

- Ensures that sufficient resources are allocated for the effective implementation of the RMSM Program requirements.
- Ensures that training is delivered to required refinery operations employees.
- Reviews the annual Compliance Report provided to the external auditors.
- Manages the day-to-day aspects for the operational components of the RMSM Program.

7.7 **Employees**

- Complete all relevant training sessions in which they are enrolled.
- Comply with the RMSM Program requirements set forth in this Policy.

8. Monitoring the Policy

The Compliance Officer reports to the President and CEO on a regular basis on the application and effectiveness of this Policy, and on any issues or concerns as it relates to adherence to this Policy.

Compliance with this Policy shall be assessed by external auditors annually as part of the LBMA annual audit process.

9. Compliance

A failure to abide by this Policy and any related directives may be grounds for disciplinary action for employees, up to and including termination of employment, and contractual sanctions for the Customers and external providers retained by the RCM (if applicable).

10. Questions of Interpretation

Questions of interpretation should be directed to the Compliance Officer.

11. Exceptions

The President and CEO must approve any exceptions to this Policy.

12. Policy Maintenance

This Policy shall be reviewed by the Compliance Officer at least every three (3) years, and more frequently as may be required.

APPENDIX A – DEFINITIONS

“**ASM**” means artisanal and small-scale mining, which refers to either formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing and transportation. ASM is normally not capital intensive and uses high labour-intensive technology. It can include men and women working on an individual basis as well as those working in family groups or as members of cooperatives or other types of legal associations and enterprises involving hundreds and even thousands of miners. Small, mechanised mines can be considered ASM.

“**Assurance Provider**” refers to such independent, LBMA-qualified auditor as may be appointed by the RCM’s Board of Directors from time to time to review its responsible metals program.

“**Board of Directors**” means the board of directors of the RCM or a board committee delegated by the board to perform any of the activities in this Policy.

“**Compliance Officer**” means the Vice-President, General Counsel and Corporate Secretary.

“**Counterparty**” means the supplier of the Customer that is directly engaged in Precious Metals.

“**Customer**” means a gold and/or silver supplier, that is directly engaged with the RCM in relation to RCM gold and/or silver supply chain.

“**ESG Factors**” means the environmental, social and governance-related policies and practices which the Mint will address as part of its supply chain due diligence process, including in the following areas:

- a) Compliance with environmental, health, safety and labour regulation in country of operation and/or company policy.
- b) Environmental management, including:
 - i. Air, water, land pollution and incident management plans;
 - ii. Water stewardship, especially in water scarce and stressed areas;
 - iii. Unauthorized sourcing from World Heritage Sites and Protected Areas.
- c) Storage, handling, and disposal of hazardous chemicals, including mercury and cyanide.
- d) Management of labour issues, including remuneration, working hours, collective bargaining, discrimination, diversity, disputes and safeguarding of workers.
- e) Community engagement and management programs (land acquisition and community resettlement, cultural heritage sites and indigenous people, closure planning and safeguarding of vulnerable populations).
- f) Management of business integrity and ethical conduct, and supporting the implementation of relevant initiatives such as the Extractive Industry Transparency Initiative (EITI).

“**Grandfathered Stocks**” means gold investment products (e.g., ingots, bars, coins and grain in sealed containers) held in bullion bank vaults, central bank vaults, exchanges and refineries, with a Verifiable Date prior to 1 January 2012, which will not require a determination of origin. This includes stocks held by a third party on behalf of the listed entities.

“High-Risk Supply Chain” means:

in the case of Mined Precious Metals,

- (a) originates from, has transited or has been transported via a Conflict-Affected and High-Risk Area (CAHRA);
- (b) are claimed to originate from a country through which gold from CAHRAs is known, or reasonably suspected, to transit;
- (c) are claimed to have originated from a country that has limited known reserves, likely resources or expected production levels;
- (d) the Customer or other known upstream companies have: (i) shareholders, or ultimate beneficial owners (“UBOs”), or other gold or silver supplying interests in one of the location-based high-risk criteria; (ii) UBOs that are politically exposed persons (“PEPs”); (iii) activities in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, and sects and their leaders; (iv) been known to have sourced gold or silver from a high-risk country in the last 12 months; or (v) provided documentation containing material discrepancies/inconsistencies or refused to provide requested documentation;
- (e) are sourced from artisanal and small-scale mining;
- (f) are produced with the use of mercury; or
- (g) contribute to catastrophic harm or highly adverse ESG Factors, to the extent that the RCM is able to identify the same;

in the case Recycled Precious Metals,

- (a) originates from, has transited or has been transported via a CAHRA;
- (b) are claimed to originate from a country through which gold from CAHRAs is known, or reasonably suspected, to transit, and/or is unjustifiably claimed to have originated from a country that has limited exports of gold and/or silver (as applicable);
- (c) the Customer or other known upstream companies: (i) operate in a money laundering high-risk country; (ii) have shareholders, or UBOs, or other gold-supplying interests in one of the location-based high-risk criteria; (iii) have UBOs who are PEPs; (iv) have activities in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, and sects and their leaders; (v) have been known to have sourced gold and/or silver (as applicable) from a high-risk country in the last 12 months; or (vi) have significant unexplained geographic routing from their supplier or counterparty in the supply chain; or
- (d) is sourced from either (i) an Intermediate Refinery or trader or (ii) a trading counterparty sourcing from an Intermediate Refinery with one or more supply chain high risks identified above;

“LBMA” means London Bullion Market Association.

“LBMA Guidance” means the current version of the London Bullion Market Association’s Responsible Gold Guidance and/or Responsible Silver Guidance, as they may be amended from time to time.

“LSM” means gold and/or silver mining operations that are not considered to be artisanal or small-scale mining (ASM).

“Mined Precious Metals”, “Mined Gold” or “Mined Silver” means gold and/or silver-bearing material that originates from LSM or ASM and has never been previously refined. This term means any gold or silver-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 or grain) and sold.

“Mining By-product” means material obtained from the mining of base metals, for example from lead, zinc or copper ore, in which gold and/or silver may be a trace constituent.

“Precious Metals” means gold and/or silver-bearing refining deposits.

“Recycled Precious Metals”, “Recycled Gold” or “Recycled Silver” means gold and/or silver-bearing material that has not come directly from a mine in its first life cycle. In practical terms, it relates to gold or silver sourced by an LBMA refiner, or downstream intermediate processor, including end-user, post-consumer products, scrap and waste metals, and materials arising during refining and product manufacturing, and investment gold or silver and gold or silver-bearing products which are returned to a refiner to begin a new lifecycle. This category may also include fully refined gold 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 or for transformation into other products (e.g., 1 kilo bars).

“Supply Chain Risk(s)” means:

- a) Systematic or widespread Human Rights abuses associated with the extraction, transport 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;
- b) 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;
- c) Non-compliance with taxes, fees and royalties due to governments related to mineral extraction, trade and export from conflict-affected and high-risk areas;
- d) Bribery and fraudulent misrepresentation of the Precious Metals origin;
- e) Money laundering or terrorism financing; and,
- f) Contribution to conflict.

“Zero Tolerance Issues” include, without limitation:

- a) the Mined Gold is known to originate from areas designated as World Heritage Sites or Protected Areas;
- b) the Mined Gold or Recycled Gold is known to be sourced in breach of international sanctions (including but not limited to those of Canada); and/or,
- c) the Mined Gold or Recycled Gold Customer, other known upstream companies or their UBOs are known money launderers, fraudsters or terrorists, or have been implicit in serious human rights abuses, direct or indirect support to illegitimate non-state armed groups, or fraudulent misrepresentation of the origin of minerals.

APPENDIX B – RESPONSIBLE SOURCING POLICY FOR CUSTOMERS

1. Definitions

1.1 Definitions to be used in the interpretation of this Policy are in **Appendix A**.

2. Scope and Application

(i) **Scope**

This Policy applies with respect to all incoming Precious Metals at [insert RCM customer's name].

(ii) **Application**

This Policy applies to all employees, officers, contractors, and agents or representatives of [insert the RCM customer's name] who are involved in the receiving and processing of Precious Metals at [insert the RCM customer's name].

3. Policy Objectives

3.1 This Policy establishes a governance framework for Precious Metals supply chains that will:

- Identify and validate the chain of custody for all incoming Precious Metals;
- Identify and assess Precious Metals' sourcing Supply Chain Risks using risk-based approach;
- Design and implement a management strategy to respond to identified Supply Chain Risks; and
- Ensure with the implementation of responsible sourcing requirements that are consistent with the OECD Due Diligence Guidance.

4. Policy Framework

The policy framework outlined below has three essential pillars, the first of which is the five-step due diligence framework (outlined in Section 4.1.1 through 4.1.5) mirroring the procedural requirements set out in the OECD Due Diligence Guidance. The latter pillars are the training and awareness program, in which all directors, officers and employees who are involved in the receiving and processing of Precious Metals must participate, and the record maintenance requirements.

4.1.1 Establish a Responsible Sourcing Management System to identify and validate the chain of custody for all incoming Precious Metals

In order to ensure the effective implementation and continuous improvement of the [insert the name of the RCM Customer]'s responsible sourcing program, [insert the position with

the ultimate oversight role of the program] will retain ultimate control and accountability for its oversight. [Insert the name of the RCM customer] will appoint a position to be responsible for the overall management of the [Insert the name of the RCM customer]'s responsible sourcing program, who will report at least annually to the [insert the position with the ultimate oversight role of the program].

[Insert the name of the RCM customer] has established and will maintain a Precious Metals traceability system that identifies the origin of gold and silver from the upstream parties involved in the supply chain. Under this system, [Insert the name of the RCM customer] will require Counterparties to provide traceability information that includes, but is not limited to: proof of origin for Mined Gold and Recycled Gold, unique lot identification, specification relating to the type of gold received and its country of origin, declared and processed assay and weight, shipping information, export and import forms (if applicable for high risk transaction), and the arrival and assay finalization dates.

4.1.2 Identify and assess Precious Metals' sourcing Supply Chain Risks using a risk-based approach

(a) Conduct supply chain due diligence to identify potential Supply Chain Risks

For each Counterparty, [Insert the name of the RCM customer] will perform supply chain due diligence following a risk-based approach. As part of this due diligence process, [Insert the name of the RCM customer] will identify and assess the risks associated with, among others, the location (including origin) and the supply chain of the Precious Metals, and the type of Precious Metals sourced.

Supply chain due diligence will be performed before entering into a new Counterparty relationship, and throughout the resulting business relationship.

[Insert the name of the RCM customer] will further monitor Counterparty transactions using a risk-based approach to ensure that they are consistent with the [Insert the name of the RCM customer]'s knowledge of the supply chain, Counterparty and risk profile. Where material inconsistencies or suspicions are identified through such monitoring, they will be reported to the position responsible for the overall management of the [Insert name of the RCM customer]'s responsible sourcing program.

(b) Classify supply chains based on risk profiles

[Insert the name of the RCM customer] will classify the risk associated with a given supply chain based on the results of its initial supply chain due diligence and the type of Precious Metals material sourced. [Insert the name of the RCM customer] will periodically (or at a minimum annually for a High-Risk Supply Chain) review and update this classification throughout the course of the business relationship with the Counterparty.

Where Zero Tolerance Issues are identified, [Insert the name of the RCM customer] will not enter into a business relationship with the Counterparty or will terminate the existing business relationship immediately, as applicable.

(c) Undertake enhanced due diligence measures for High-Risk Supply Chains

Where a High-Risk Supply Chain is identified, [Insert the name of the RCM customer] will undertake enhanced due diligence measures annually to determine mitigation measures and assess whether to maintain the relationship.

4.1.3 Implement management strategies to respond to identified Supply Chain Risks

(a) Devise a risk management strategy for the identified risk

[Insert the name of the RCM customer] will implement risk mitigation or management strategies where risks are identified.

Where [Insert the name of the RCM customer] identifies, through enhanced due diligence measures, that the Counterparty has participated in money laundering or terrorist financing, committed serious human rights abuses, supported illegitimate non-state armed groups or fraudulently misrepresented the origin of their materials, it will immediately cease related activity.

Where [Insert the name of the RCM customer] has a *founded suspicion* that the Counterparty is participating in money laundering or terrorist financing, committing serious human rights abuses, supporting illegitimate non-state armed groups, or fraudulently misrepresenting the origin of their materials, it will suspend related activity. This activity will remain under suspension until [Insert the name of the RCM customer] is reasonably satisfied that the Customer is not engaged in these activities.

Where a supply chain is classified as High Risk and the results of [Insert the name of the RCM customer]'s periodic (or at a minimum, annual) enhanced due diligence are not satisfactory to [Insert the name of the RCM customer], it will require the Counterparty to adopt an improvement plan which requires them to make meaningful improvements in the supply chain to mitigate and/or eliminate the risks identified.

(b) Monitor the improvement plan

Where an improvement plan is adopted for a High-Risk Supply Chain, [Insert the name of the RCM customer] will monitor its implementation by the Counterparty periodically (or at a minimum, annually), with a view to determining whether to continue the relationship.

(c) Report findings to the Board of Directors

The [Insert the name of the RCM customer] will, at minimum, provide designated senior management with relevant statistics on High-Risk Supply Chains, status updates regarding Counterparties for which activity has been suspended or terminated, and reports on the progress and effectiveness of improvement plans.

(d) Continuously monitor the adequacy of risk management strategies

Precious Metals supply chains require ongoing risk monitoring. After implementing a risk management strategy, or where a change in the supply chain has been identified, [Insert the name of the Customer] will assess whether or not supply chain due diligence must be repeated.

4.1.4 Ensure independent third-party audit of [insert the name of the RCM customer]'s supply chain due diligence practices

[Insert the name of the RCM customer] will have their due diligence practices audited by an independent auditor.

4.1.5 Annually report on Precious Metals supply chain due diligence in order to demonstrate openness and transparency about the [Insert the name of the RCM customer]'s responsible sourcing program

[Insert the name of the RCM customer] will publicly report on its Precious Metals supply chain due diligence process, practices and performance annually, with appropriate regard for security, commercially sensitive information of [Insert the name of the RCM customer] or its Counterparties, data protection and legal rights of the parties.

5. Employee Training and Awareness

Regular training shall be provided to all directors, officers and employees who are involved in the receiving and processing of Precious Metals at [Insert the name of the RCM customer].

6. Record Maintenance

[Insert the name of the RCM customer] shall maintain records to demonstrate compliance with this Policy for a period of at least five (5) years after the performance of the activity.

APPENDIX C – DUE DILIGENCE MEASURES/TRANSACTIONS MONITORING

A) DUE DILIGENCE MEASURES

The following measures should be undertaken to identify high-risk supply chains:

1. Identify any location risk:

- a. Determine the origin of Precious Metals:
 - For Mined Gold or Mined Silver: The location of the mine (LSM and ASM);
 - For Recycled Gold or Recycled Silver: The point in the gold supply chain where the gold is returned to the RCM or other downstream intermediate processor or recycler.
 - For Mining By-product: The point of separation of gold from the mineral base, as provided under the World Customs Organization's Revised Kyoto Convention Annex K.
 - For Grandfathered Stocks: the location of the Customer, unless the stock has a Verifiable Date prior to 1 January 2012, in which case the determination of origin is not required.
- b. Determine the general transportation routing of the source of Precious Metals from origin to the RCM.
- c. Verify that sourcing from the Country of Origin is not in breach of any international sanctions.
- d. Verify that the mine site is not located in a World Heritage Site or Protected Area.

2. Conduct an integrated location-based assessment of all the Supply Chain Risks using the following sources:

- Sanctions lists (US, UK, EU, UN, and relevant sanctions lists)
- Dodd Frank s. 1502
- EU CAHRA list
- Heidelberg Barometer
- Fragile States Index or equivalent
- UN Human Rights Office of the High Commissioner or equivalent
- Reports (including relevant country reports) by the Financial Action Task Force (FATF)
- Credible market intelligence on: high-risk centres/transit hubs of Precious Metals; countries where there is a high risk of money laundering; and any other factors that could identify Supply Chain Risks.

3. Identify any Customer Risk through the RCM's Know Your Customer Questionnaire (KYC Questionnaire):

- Identify and verify the Customer's name, physical address, corporate registration and license information, using reliable, independent source documents, data or information.
- Identify and verify Ultimate Beneficial Owners (UBOs) (defined as 10% or more ownership) and authorized signatories of the Customer using reliable and current government-issued photo identity documents.

- Confirm that the Customer and its UBOs are not named on any government lists as wanted money launderers, or as known fraudsters or terrorists.
- Obtain the Customer's business and financial details, and information on the purpose and intended nature of the business relationship.

4. Identify any material type risk:

The following are additional due diligence measures that must be undertaken depending on the type of sourced material and scale of sourcing operations:

a) *Identification of Risk for Mined Gold or Mined Silver (as applicable) from LSM using RCM's relevant KYC Questionnaire:*

Obtain, assess, and where possible, verify against publicly available information:

- Import/export gold license for the Customer, if applicable
- Mining practice, including processing and transportation method
- Production data and processing capacity, if available
- Sources of any third-party stock, including that from ASM, on the mine site and controls to appropriately manage these
- Anti-money laundering and terrorist financing policies and practices, where relevant
- Bribery and corruption policies and practices, including payment to government
- Human rights policies and practices
- Environmental policies and practices
- Health and safety policies and practices
- Labour policies and practices, if not already covered through other policies collected
- Community engagement programs
- Ethics and business integrity policies and practices.

b) *Identification of Risk for Mined Gold or Mined Silver (as applicable) from ASM using RCM's relevant KYC Questionnaire:*

Obtain, assess, and where possible, verify against publicly available information:

- Suppliers of ASM gold or silver sources (as applicable), including:
 - local artisanal mining team, association or cooperatives (i.e. not necessary to identify individual diggers)
 - ore processing plant
 - aggregators and traders
 - local gold exporter
- Whether the mining project can be considered legitimate ASM (i.e., legally registered, cooperative-based and/or government-recognized, or central bank supported initiative)
- Mining practice, including extraction, processing and transportation method
- Use, storage and recovery of mercury, and if applicable, impact on the environment and the health of those involved in the production, handling and processing of gold
- Human rights practices and policies to the extent available
- Environmental practices and policies to the extent available
- Health and safety practices and policies to the extent available
- Labour practices and policies to the extent available

- Community engagement practices and policies to the extent available
- Payments to government practices and policies to the extent available.

c) *Identification of Risk for Recycled Gold or Recycled Silver (as applicable) using the RCM's relevant KYC Questionnaire:*

Obtain, assess, and where possible, verify against publicly available information:

- Main markets, products and customer segments of the Customer
- Profiles of the Customer's Precious Metals and precious metals suppliers
- Types and forms of precious metals sourced by the Customer
- Country of Origin of Precious Metals processed by the facility
- Type and location of facilities operated by the Customer (i.e. refining, manufacturing, jewelry production, pawn shops, etc.)
- Import/export licenses, if applicable
- Anti-money laundering and terrorist financing policies and practices
- Anti-bribery and corruption policies and practices
- Responsible sourcing policies and processes

B) TRANSACTIONS MONITORING

The following measures should be undertaken to monitor the Customers' transaction using a risk-based approach:

- Check volumes, types and concentrations of gold-bearing material for consistency with previous shipments.
- Monitor the actual transportation routing for each shipment.
- Verify physical shipment against shipping/transportation documents (assays, weights, serial numbers).
- Confirm that documents and materials are consistent with each other (purchase order, goods receipt, invoice) and with the KYC information (mine capacity, origin, sources).

Where material inconsistencies or founded suspicions are identified:

- The Precious Metals should be physically segregated and secured until the inconsistencies are resolved.
- An investigation should be undertaken and documented.
- Findings should be reported to the Compliance Officer, the CEO, the Board and appropriate authorities, as applicable.