

sherritt

**2019
Responsible
Production
and Supply**



Sherritt is committed to extracting and producing minerals that meet our stakeholders' social, ethical, environmental and human rights expectations, and to advancing that commitment with its joint venture partners and their suppliers and customers. In particular, Sherritt is committed to understanding and addressing social, ethical, environmental and human rights risks in our mineral supply chain.

1. Management Approach

Sherritt's responsible sourcing strategy considers the production and sourcing of minerals. Our [Environment, Health, Safety and Sustainability Policy](#) and standards framework identify our commitments and expectations. We work collaboratively with our partners, experts, industry consortia, peers and customers to understand fully the properties and potential impacts of our products throughout their supply chains and lifecycles.

Sherritt has a robust management system in place to manage environmental and social risks and meet or exceed performance targets. We continue to progress against plans to ensure we have the appropriate policies and due diligence management systems in place to address the requirements of the OECD Due Diligence Guidance for Responsible Mineral Supply Chains. Sherritt remains engaged with the Mining Association of Canada, the London Metal Exchange, the Nickel Institute and the Cobalt Institute to support the development of and alignment with practical and recognized responsible sourcing initiatives, standards and frameworks. Sherritt advocates for the adoption of all of these requirements by its partners and joint venture organizations.

Sherritt participated with the Nickel Institute in a lifecycle analysis published in early 2020 and is participating in a new lifecycle analysis with the Cobalt Institute to be published in 2021–2022. We participate in these studies, committing significant effort, to help further the understanding of the lifecycle impact of our main products and to educate customers and regulators.

Sherritt continued funding of the Nickel Institute and the Cobalt Institute to advance the ecological and toxicological science associated with our products, which helps develop appropriate regulations that are protective of human and environmental health.

2. Performance

2019 and recent highlights:

- Updated our [Human Rights Policy](#) and [Environment, Health, Safety and Sustainability Policy](#) to ensure that the commitments are aligned with OECD requirements and industry best practice;
- Completed a **Conflict-Affected and High-Risk Areas (CAHRA)** assessment of the Moa Joint Venture (JV) feed supplies, which concluded that the JV does not source from, operate in or transit through any conflict-affected or high-risk areas;
- Developed and implemented a **Third-Party Feed Policy** to establish Moa Joint Venture commitments to responsible feed sourcing that are aligned with OECD requirements and industry best practice;
- Started to develop a **Supplier Code of Conduct** to identify expectations of Moa Joint Venture suppliers to provide responsibly sourced minerals that are aligned with OECD requirements and industry good practice;
- Became an upstream member of the **Responsible Business Alliance/Responsible Minerals Initiative**.

As part of several long-term supply agreements with some key cobalt customers, the Moa Joint Venture participates in regular due diligence assessments against customer responsible sourcing requirements.

Supply Chain Due Diligence

While Sherritt sources the majority of its cobalt from our own Moa Joint Venture operations, the Fort Saskatchewan refinery (COREFCO) also purchases cobalt from a select group of third-party suppliers. Recognizing the heightened human rights risks for cobalt, Sherritt prioritized completing a CAHRA assessment and implementing policies and risk-based management systems at COREFCO. We are pleased to report that the assessment concluded that Sherritt and the Moa Joint Venture do not source from conflict-affected or high-risk areas and that no other significant problem areas were identified.

The Moa Joint Venture is developing a supply chain due diligence process and a Supplier Code of Conduct that will be designed to ensure that ethical, environmental and human rights risks in our supply chain are identified and mitigated.

The process will align with the recommendations of the OECD Due Diligence Guidance. We plan to use internationally and industry recognized tools for ethical and responsible businesses to help us evaluate the business practices of critical suppliers. Our approach will support the identification, prevention and mitigation of potentially adverse impacts that could negatively impact people, the environment or the company's reputation.

Going forward, Sherritt will be commencing the due diligence process with an independent assessment based on OECD Due Diligence Guidance at COREFCO in 2020. We plan to utilize the learnings from this assessment to further develop our risk-based approach and to collaborate with our key suppliers in addressing and managing the potential issues identified.

Alignment with OECD Due Diligence Guidance for Minerals – 5-Step Framework for Upstream and Downstream Supply Chains

Sherritt and the Moa Joint Venture are broadly aligned with the OECD 5-step framework, the recognized cobalt industry standard for responsible supply chains. Sherritt and the Moa Joint Venture conform with 9 of the 16 sub-requirements, and we expect the Joint Venture to be fully conformant by 2022. Table 1 on the next page indicates the details of Sherritt's and the Moa Joint Venture's conformance with the sub-requirements of the OECD 5-step framework.

Table 1. Sherritt and Moa Joint Venture Conformance with OECD 5-Step Framework

Step	Requirements	Sherritt/Moa JV Conformance	Comments
1. Establish strong company management systems	Adopt a policy for responsible mineral supply chains	No	In progress. To be completed in 2020.
	Communicate policy to suppliers and incorporate due diligence expectations into contracts	No	In progress. To be completed in 2020.
	Establish traceability or chain of custody system over mineral supply chain	Yes	
2. Identify risks in the supply chain	Identify and verify traceability or chain of custody information (e.g., mine of origin, trade routes, suppliers)	Yes	
	For red flag locations, suppliers or circumstances, undertake on-the-ground assessments to identify risks of contributing to conflict or serious abuses	N/A	CAHRA assessment completed. No red flags were identified.
3. Manage risks	Report identified risks to senior management and fix internal systems	Yes	
	Disengage from suppliers associated with the most serious impacts	N/A	The CAHRA assessment did not identify any suppliers with serious risks
	Mitigate risk, monitor and track progress	Yes	
4. Audit of smelter/refiner due diligence practices	Smelters/refiners should participate in industry programs to have their due diligence practices audited against an auditing standard aligned with OECD Guidance	Yes	
	Prepare all documentation for audit (e.g., chain of custody or traceability documentation, risk assessment and management documentation for red-flagged sources)	Yes	
	Allow auditors to access company documentation and records	No	Audit to be completed in 2020
	Facilitate auditor access to sample of suppliers as appropriate	No	Audit to be completed in 2020
	Publish summary audit report with audit conclusions	No	Summary report with audit conclusions to be published as part of Sherritt's 2020 Sustainability Report
5. Publicly report on due diligence	Annually describe all due diligence efforts (steps 1 to 4 – e.g., risk assessment and mitigation) with due regard for business confidentiality and other competitive or security concerns	Yes	
	Smelters should publish a summary of their independent audit report	No	Summary report with audit conclusions to be published as part of Sherritt's 2020 Sustainability Report
	Make report publicly available, in offices and/or on company website	No	Summary report to be made available to the public in 2020

Alignment with the Cobalt Institute and the Cobalt Industry Responsible Assessment Framework

Sherritt is committed to the Cobalt Industry Responsible Assessment Framework (CIRAF). From its initiation in 2018, Sherritt worked with the Cobalt Institute on the development of CIRAF. This framework strengthens the ability of cobalt producers to assess, mitigate and report on responsible production and sourcing risks in their operations and supply chain. The CIRAF enables a more coherent and consistent approach to cobalt due diligence and reporting by the cobalt industry. It is also a management tool which allows participants to demonstrate that they are aligned with global good practice in responsible production and sourcing.

The following table indicates Sherritt's and the Moa Joint Venture's conformance with the core elements of the CIRAF.

Table 2. Sherritt/Moa Joint Venture Conformance with CIRAF

Level	Step	Requirements	Sherritt/Moa JV Conformance	Comments
Level 1 – General Requirements and Human Rights	Step 1 – General Requirements	Agreement with the CIRAF Statement of Commitment, signed by senior management	No	Agreement to be signed in 2020
		Provide a Statement of Legal Compliance (or equivalent document, such as a business or mining licence) in country of operation	No	To be provided in 2020
		Materiality assessment of the risk categories; review through a credible mechanism is only required if material risks are different from the material risks listed in the CIRAF decision tree	Yes	
		Public disclosure of the material risks is required	Yes	
	Step 2 – Human Rights	Evidence of risk-specific policy	Yes	
		Evidence of risk-specific management system aligned with OECD Due Diligence Guidance and third-party assurance of the management system	No	In progress. Independent assurance scheduled for 2020.
		Evidence of public reporting	Yes	

Sherritt management attests that, to the best of its knowledge, all wholly owned subsidiaries and the Moa Joint Venture are in material legal compliance with all applicable local laws and regulations. Sherritt and the Moa Joint Venture possess all appropriate business, mining, environmental and other licences in Canada and Cuba.

CIRAF participants are expected to demonstrate within one year of their statement of commitment to CIRAF that they follow the recommendations of level one requirements of CIRAF. For the cobalt supply chain, Sherritt's and the Moa Joint Venture's internal policies and due diligence practices comply with most requirements of level one of CIRAF. However, neither Sherritt nor the Moa Joint Venture has formally provided statements of commitment or compliance or completed third-party assurance of the management system; these are planned for 2020.

Sherritt has identified material risks in the Moa Joint Venture’s cobalt supply chain. Sherritt has a policy and due diligence management system to address human rights risks and at least three other material risks in the cobalt supply chain. Since neither Sherritt nor the Moa Joint Venture sources cobalt from conflict-affected or high-risk areas, the following risk areas have been identified as material according to the CIRAF decision tree:

1. Environmental Impacts	Tailings Energy and greenhouse gas emissions Climate change
2. Occupational Health and Safety (OHS)	OHS and working conditions (including diversity and inclusion) Public safety
3. Community	Livelihoods Stakeholder engagement

Sherritt has implemented internal policies and due diligence management systems for each of these risk areas through its Sustainability Framework, which is aligned with the Mining Association of Canada’s Towards Sustainable Mining (TSM) framework and other internationally recognized frameworks. Sherritt is working with its partners to implement these in the Moa Joint Venture. Work has commenced to establish cobalt supplier expectations and due diligence management systems for the Moa Joint Venture.

Alignment with London Metal Exchange Framework

In 2019, the London Metal Exchange (LME) announced its responsible sourcing requirements, which align with the OECD Due Diligence Guidance. The LME expects producers of registered brands to establish frameworks that comply with this requirement by 2022. The LME requires registered brands to undergo a number of assessments, including red flag assessments, and independent third-party audits of supply chain due diligence. It also requires ISO 14001 and ISO 45001 certifications, or equivalent, by the end of 2023.

Sherritt and the Moa Joint Venture are aligning their due diligence management systems with the LME requirements. We are pursuing an OECD-aligned plan that will provide independent audit assurance and OECD Step 5 transparency. Plans are in place to supplement TSM-based management systems with ISO 14001 (environmental management systems) and ISO 45001 (occupational health and safety management systems) implementation at COREFCO and the Moa Nickel Site.

3. Next Steps for 2020

- Continue to implement Sherritt and Moa Joint Venture policies and management systems, such as Sherritt’s Sustainability Framework, that mitigate identified risks and align with OECD requirements;
- Complete an OECD-aligned independent due diligence audit at COREFCO;
- Incorporate learnings and prepare for an OECD-aligned independent due diligence audit at the Moa Joint Venture mine (the Moa Nickel Site);
- Develop and implement a Supplier Code of Conduct for the Moa Joint Venture.