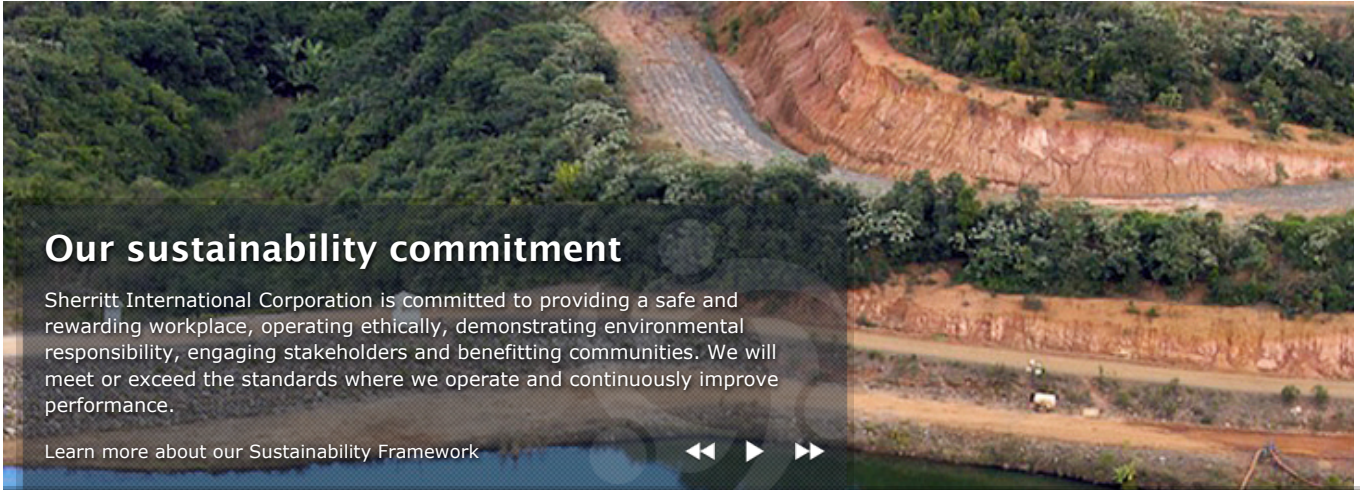




sherritt

**2013
SUSTAINABILITY
REPORT**



Our sustainability commitment

Sherritt International Corporation is committed to providing a safe and rewarding workplace, operating ethically, demonstrating environmental responsibility, engaging stakeholders and benefitting communities. We will meet or exceed the standards where we operate and continuously improve performance.

Learn more about our Sustainability Framework

◀ ▶ ▶▶



Our Sustainability Commitment



Safe and Rewarding Workplace



Operating Ethically



Environmental Responsibility



Engaging Stakeholders and Benefitting Communities

Learn more about Sherritt's Sustainability Performance.



Sustainability Framework

Our framework consists of a core commitment to sustainability and a series of issue-specific commitments, which are supported by management systems with policies, standards, procedures and guidelines for planning, implementation, measurement, reporting and assurance of sustainability efforts across Sherritt.

Sustainability Commitment

Sherritt is committed to providing a safe and rewarding workplace, operating ethically, demonstrating environmental responsibility, engaging stakeholders and benefitting communities. We will meet or exceed the standards where we operate and continuously improve performance.

Providing a Safe and Rewarding Workplace

Health and Safety

Commit to zero harm: zero fatalities, injuries, and work-related illnesses among employees and contractors.

Public Safety

Maintain public safety around our sites through effective risk management, active communication and ongoing community engagement.

Rewarding Workplace

Provide a rewarding workplace that engages and develops our workforce, compensates workers competitively, and offers them exposure to world-class operations, projects, processes and people.

Operating Ethically

Business Ethics

Foster a culture and environment that support and require ethical conduct.

Human Rights

Operate our business in a way that respects human rights as set forth in the Universal Declaration of Human Rights.

Demonstrating Environmental Responsibility

Tailings Management

Design and operate all tailings management facilities – throughout the mine lifecycle – to meet or exceed applicable regulatory and company standards.

Biodiversity and Land

Achieve no net loss, or preferably a net gain, of biodiversity for greenfield projects and significant expansions of current operations; and practice progressive reclamation as part of normal operations at all mines, working with local jurisdictions.

Water

Manage water responsibly by optimizing water use, addressing water-related risks to future operational viability and growth, and engaging communities on the use of, and impacts to, shared water resources.

Energy and Climate Change

Monitor and track energy use and greenhouse gas emissions at each site and identify opportunities to reduce impact; and understand and mitigate the potential impacts of climate change on our assets.

Engaging Stakeholders and Benefitting Communities

Stakeholder Engagement

Engage stakeholders early on and throughout the asset lifecycle; and build enduring relationships based on mutual trust, respect and transparency.

Transparency

Provide stakeholders with timely and accurate information on the impacts and benefits of our mining-related activities and management practices.

Community Benefits

Contribute to a lasting improvement in quality of life in the communities where we operate.

About Sherritt

Sherritt is a world leader in the mining and refining of nickel from lateritic ores, with operations in Canada, Cuba and Madagascar. The Corporation is the largest independent energy producer in Cuba, with extensive oil and power operations on the island. Sherritt licenses its proprietary technologies and provides metallurgical services to mining and refining operations worldwide. The Corporation's common shares are listed on the Toronto Stock Exchange under the symbol "S".

Divisions

Through its operating divisions – **Metals, Oil and Gas, and Power** – and the **Technologies group**, Sherritt has a presence in Canada, Cuba, Madagascar, as well as a non-operating interest in assets in Pakistan and Spain. During 2013, Sherritt also operated a Coal Division as outlined below. The Corporation announced the sale of this division at the end of 2013 and the transaction was completed in April of 2014. Sherritt also discontinued its involvement in the below-mentioned Sulawesi Project, a nickel exploration venture in Indonesia, in January of 2014.

- Metals produces nickel and cobalt for international markets.
- Oil that Sherritt produces in Cuba is sold to the Cuban state. Sherritt's Power Division produces electricity from natural gas, primarily in Cuba.
- The Coal Division was Canada's largest thermal coal producer, primarily supplying domestic mine-mouth power plants and exporting a smaller amount of production to Asia.
- Technologies supports Sherritt projects and operations, and provides engineering services and licensing of commercially proven technologies to mining companies worldwide.

Locations

Canada

Metals

- Moa Joint Venture, Fort Saskatchewan, Alberta (refinery and office)

Technologies

- Fort Saskatchewan, Alberta (laboratories and office)

Offices

- Toronto, Ontario (Corporate)
- Edmonton, Alberta (Coal)
- Calgary, Alberta (Oil and Gas and Power)

Coal¹

- Coal Valley, Alberta
- Genesee, Alberta²
- Obed Mountain, Alberta
- Paintearth, Alberta
- Sheerness, Alberta
- Bienfait, Saskatchewan (mine, Char plant and Activated Carbon Joint Venture)
- Boundary Dam, Saskatchewan
- Poplar River, Saskatchewan

1. In late 2013, Sherritt announced the sale of its Coal business.

2. For 2013, Sherritt owned 50% of the Genesee mine. During 2013, Sherritt was the operator of the mine.

Cuba

Metals

- Moa Joint Venture, Cuba (mine)

Power

- Boca de Jaruco, Cuba
- Puerto Escondido, Cuba
- Varadero, Cuba

Oil and Gas

- Cuba, various sites

Office

- Havana, Cuba (Corporate)

Spain

Oil and Gas

- Spain, various sites (Sherritt does not operate these assets)

Pakistan

Oil and Gas

- Pakistan, various sites (Sherritt does not operate these assets)

Madagascar

Metals

- Ambatovy Joint Venture, Madagascar

Power

- Ambohimambola II, Madagascar¹

1. The Ambohimambola II generating station in Madagascar is leased to Madagascar's national electricity company.

Indonesia

Metals

- Sulawesi Project¹, Indonesia (nickel exploration project)

1. In January 2014, Sherritt announced the termination of its involvement in the Sulawesi Project.

Our Workforce

In 2013, Sherritt employed, directly or through a subsidiary or affiliate, more than 8,000 people on a permanent basis. This figure represents a decrease of approximately 6% from 2012, largely due to returning the operation and maintenance of the Highvale coal mine to the owner's control in January 2013. We also supported the employment of approximately 6,400 people working for contractors (98% of those at the Ambatovy Joint Venture) for a total workforce of over 14,400 people.

Almost 59% of Sherritt's Canadian workforce in 2013 was represented by six separate bargaining units. These include workers in both the Metals and Coal Divisions.

In Cuba, Sherritt hires its employees from the state in a similar fashion to contracted workers. In our reporting, we include them as Sherritt employees because they work full-time at our facilities under our direct supervision. Over 95% of our Cuban workers are represented by unions that are embedded in Cuba's structure at the local, provincial and national levels.

In Madagascar, all of Ambatovy's national (Malagasy) staff is represented by the Employee Work Council and the Employee Worker Delegates, which provide an active oversight of grievances, working conditions, compensation and professional development.

- The Employee Work Council is comprised of elected personnel who have a legal mandate to engage with management on issues relating to work, such as technology development, work conditions, professional qualifications and classifications and compensation.
- The Employee Worker Delegates are elected personnel who also have a legal mandate to raise and solve, with management, individual and/or collective grievances that arise from the workplace.

These two entities function in a similar way to those in the North American collective bargaining process.

Additional information about the Corporation and its products can be found in our 2013 Annual Information Form available at www.sedar.com or on our website.

Key Sustainability Priorities

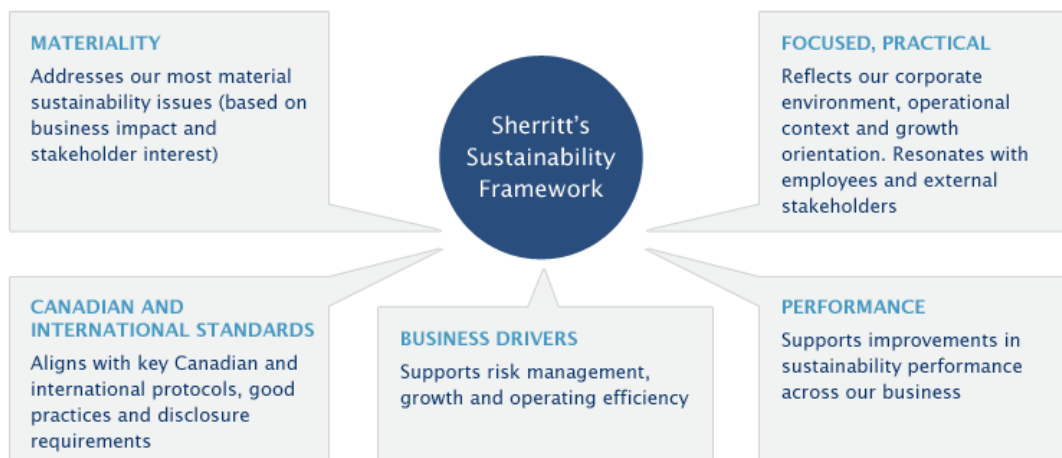
Commitment Area	Priority	2013 Progress
Culture/Brand	<ul style="list-style-type: none"> • Build awareness and understanding of the framework and sustainability performance among stakeholders • Have employee behaviours reflect sustainability commitments • Strengthen internal sustainability networks for cross-collaboration, sharing and learning • Participate in external communities of practice and events that support peer learning and continued improvement • Embed the framework in corporate documentation and communication materials and reporting 	<ul style="list-style-type: none"> • Launched framework to stakeholders through release of 2012 sustainability report and a series of external presentations and meetings • Conducted sustainability planning workshops with Metals, Coal, and the Sulawesi Project to align framework priorities with divisional plans • Actively participated and presented at communities of practice, such as the Devonshire Initiative (a Canadian forum for NGO and mining company dialogue) • Embedded framework into corporate website, presentations, briefing notes recruitment materials
Management systems	<ul style="list-style-type: none"> • Develop an enterprise-wide EH&S management system • Develop enterprise-wide policies, standards, procedures and guidance for all sustainability-related management systems • Continuously improve sustainability reporting 	<ul style="list-style-type: none"> • Established cross-divisional EH&S task force to develop common management system • Finalized and published revised policies on human rights, indigenous relations and community investment • Launched first-ever for Sherritt, web-based report and further enhanced alignment with Global Reporting Initiative disclosure requirements
Business processes	<ul style="list-style-type: none"> • Create strong linkages between the sustainability framework and risk management, employee performance planning and evaluation, business planning, public reporting, policy development, procurement, project execution, and internal audit, among other processes 	<ul style="list-style-type: none"> • Had representatives of the Corporate Affairs and Sustainability Department participate in the policy committee, enterprise risk management task force, 2013 Internal Audit planning session, and employee engagement task force • Participated in external workshops on Integrated Reporting

Corporate governance	<ul style="list-style-type: none"> • Embed sustainability into corporate governance structures, practices and policies • Facilitate Board awareness and understanding of material and emerging sustainability risks, issues and trends • Continuously improve sustainability-related QA/QC and internal reporting on sustainability performance 	<ul style="list-style-type: none"> • Undertook internal audits on anti-corruption, tailings management, surface water management, environmental compliance, community relations, local procurement, policy administration and compensation • Provided overview of sustainability framework to the Board’s Environment, Health, Safety and Sustainability (EHS&S) Committee • Made incremental improvements to internal and Board reporting on sustainability — including the addition of leading indicators
Good practice alignment	<ul style="list-style-type: none"> • Align sustainability management systems with leading Canadian and international standards and practices that support our ability to address material sustainability issues • Incorporate leading practices from particular Sherritt divisions into corporate-wide guidance • Remain abreast of industry trends and developments for good practice 	<ul style="list-style-type: none"> • Conducted risk assessments aligned with the Voluntary Principles on Security and Human Rights on operations in Canada, Indonesia and Madagascar • Incorporated lessons learned from Ambatovy into corporate-wide policies on human rights and indigenous relations • Participated in discussions on industry standards at events hosted by the Government of Canada, the Prospectors and Developers Association of Canada, the Mining Association of Canada, the Devonshire Initiative, and other organizations

Learn more about specific sustainability priorities relating to the workplace, ethics, the environment and stakeholders.

Framework Development

Our sustainability framework guides the prioritization, management and measurement of sustainability performance. It is designed to embody and address the following considerations:



This framework addresses the sustainability issues most material to the achievement of Sherritt's goals and future business needs. To develop it, we undertook a structured materiality assessment. Information on the materiality process can be found in the Materiality section.

Drawing on this materiality assessment and a review of current and emerging sustainability standards from around the world, we crafted commitment statements to describe how we manage material sustainability issues. The resulting sustainability framework was reviewed, refined and approved through a process involving meetings with the executive team, workshops with divisions and departments, and cross-divisional subcommittees to consider specific issues.

The framework is being rolled out and embedded across the business. This multi-year process involves working with each division to develop goals, targets, key performance indicators and action plans to manage and measure our performance in each commitment area.

The sustainability framework is not considered to be a static document. While designed to shape our long-term performance, the issue-specific commitments will be reassessed periodically as our business and performance expectations evolve.

Materiality

Sherritt's material sustainability issues were identified during the development of our sustainability framework.

Our materiality assessment process involves identifying a list of sustainability issues important to our business. We generate this list by reviewing our corporate documents and processes (e.g., risk registers, management systems, corporate policies, codes and sustainability initiatives) and by conducting a review of current and emerging sustainability issues facing the natural resources sector, as identified in peer company sustainability reports and Canadian and international sustainability standards and initiatives.*

A materiality assessment is completed by analyzing each issue based on two criteria: level of expected business impact and degree of stakeholder interest. Expected business impact is analyzed in a facilitated workshop involving a task force of employees with experience in managing a range of issues across Sherritt's divisions. Stakeholder interest is analyzed based on publicly available information on stakeholder priorities and viewpoints in categories including media, investors, non-governmental organizations and Aboriginal peoples. (A broad list of our stakeholders can be found here.) Both business impact and stakeholder interest are rated using a qualitative four-point scale.

The issues with the highest combined ranking of expected business impact and stakeholder interest are characterized as "material" for Sherritt and reflected in the sustainability framework. The issues are reviewed regularly to ensure emerging issues are properly identified in a timely manner.

Sherritt's most material sustainability issues have been identified and addressed in the individual commitments in the sustainability framework. In 2013, a breach of a water containment pond at the Coal Division's Obed Mountain mine emphasized the importance of certain issues that had been identified as material in development of the framework. The commitments in the framework have helped to guide our response to this incident.

* The Towards Sustainable Mining (TSM) program developed by the Mining Association of Canada provides a robust approach to addressing many material issues that extractives companies face, and it complements several other international standards. Sherritt is aligning its sustainability management systems with the TSM program. For particular issues not addressed by TSM, Sherritt is aligning with standards from organizations such as the International Organization for Standardization (ISO) or the International Finance Corporation (IFC).

Governance

Sherritt's Board of Directors includes an Environment, Health, Safety and Sustainability (EHS&S) Committee, which assists the Board in its oversight of environment, health and safety (EH&S) and sustainability issues. The mandate of the EHS&S Committee can be found on our website.

Corporate-level oversight of EHS&S functions is provided by the Corporate Affairs and Sustainability Department (CA&S) and the Corporate Director of EH&S.

CA&S is led by a Senior Vice President, who informs the Corporation and the Board on matters of government relations and sustainability. The Senior Vice President, CA&S participates in EHS&S Committee meetings to speak to issues around Sherritt's relations with the governments of the jurisdictions where we operate or have an interest; as well as any issues pertaining to the communities around our projects and operations, and specific interest groups or stakeholders with whom Sherritt engages. Functionally, the Senior Vice President, CA&S is responsible for managing key government and stakeholder relationships, as well as coordinating the development, implementation and integration of Sherritt's sustainability commitments and related management systems.

The Corporate Director, EH&S has direct accountability to the EHS&S Committee of the Board. This individual informs the Board of health and safety results, any environmental concerns and other related material issues within the divisions through formal reporting each quarter. The Corporate Director, EH&S prepares and leads the EH&S strategic plan and facilitates company-wide awareness building and information sharing on EH&S trends and issues. Functionally, this individual is responsible for EH&S assurance, standardization, reporting and continuous improvement.

Division leaders participate in EHS&S Committee meetings alongside the Senior Vice President, CA&S and Corporate Director, EH&S to provide insight into on-the-ground EHS&S issues. This approach gives the committee direct access to EHS&S information at both the operating and corporate levels of the organization.

Risk Management

Each of Sherritt's operations manages a variety of local risks to achieve an acceptable level of overall business risk. Some of these risks are associated with EHS&S activities. Sherritt recognizes the inherent risks associated with working in the natural resources sector and works to minimize them by adhering to a defined set of policies, standards, procedures and guidance.

The Board's Audit Committee reviews financial and non-financial information regarding the Corporation and its operations. A key tool used by the Board in its oversight is the Risk Assessment (RA) Report, which is compiled annually. The RA Report provides a comprehensive review of the business and the strategic risks facing the Corporation. This review includes an assessment of current and potential risks and indicates a level of concern for each, based on the likelihood of occurrence and the severity of impact.

Risks assessed or accounted for include those associated with commodity markets, project development, transportation, political and economic impacts, financial changes, technologies, access to resources and availability of required workers. A range of risks associated with different stakeholders is included, as are governance, security and operational issues. An overview of specific risks can be found on pages 56 to 67 of our 2013 Annual Report (see www.sherritt.com).

Board governance and risk management play a key role in addressing sustainability issues. Please visit Sherritt's website or www.sedar.com for additional information on the corporate governance practices and organization of our Board of Directors and an extensive discussion of our risks.

About This Report

This Sustainability Report provides information on Sherritt’s sustainability performance during the past year. Our previous full report covered 2012. The report focuses on key areas of interest for Sherritt’s stakeholders – namely, our workplace, ethics, the environment and our communities. It has been updated with data relevant to 2013. Text has been revised only to the extent necessary to reflect changes and achievements in 2013. Where possible, text from the previous report has been retained.

Our Stakeholders

Sherritt’s stakeholders include current and prospective employees and their representatives, shareholders, the financial community where we raise capital, communities that support our operations, various levels of government in our operating jurisdictions, partners with whom we work and customers. Stakeholders also include others who may have an interest in Sherritt, such as the media, investment analysts and various local, national and international non-governmental organizations.



Report Structure and Scope

The report is now organized around the overarching and issue-specific commitments outlined in our sustainability framework, representing a further development of our reporting process.

The framework is founded on a set of commitments that Sherritt is working towards and, as such, the full rollout and development of goals, targets and key performance indicators is still underway. Sherritt’s approach to reporting will continue to evolve as the framework is integrated across our operations.

The report includes information on parts of the Corporation over which Sherritt has operational control in Canada, Cuba and Madagascar, as well as relevant activities at our exploration project in Indonesia. All information on joint ventures (JVs) or partnerships is provided on a 100% ownership basis. No adjustment is made for percentage of ownership. For the purposes of this report, we have provided general information by division within the sustainability framework’s structure. Where possible, we have reported separately on major operating JVs to provide a more complete picture of progress at our operations.

Significant Changes during the Reporting Period

The following significant events occurred in 2013, which had an impact on our sustainability performance:

- On October 31, 2013, a breach occurred in an on-site water containment pond at the Obed Mountain mine in Coal's Mountain Operations. The breach resulted in the issuance of an Alberta Environment and Sustainable Resources environmental protection order in November 2013.
- On December 24, 2013, Sherritt announced the sale of its Coal business to two separate companies. The transaction closed in April of 2014.
- In January 2014, the Ambatovy Joint Venture met the requirements for Commercial Production, defined as ore throughput at 70% of nameplate capacity in the pressure acid leach circuit averaged over a 30-day period. Commercial Production, the point at which Ambatovy begins to recognize operating revenues and costs for accounting purposes, commenced on February 1, 2014.
- In January 2014, Sherritt announced that it had terminated its earn-in agreement with a subsidiary of Rio Tinto to acquire an interest in the Sulawesi Project in Indonesia. The Corporation has no further funding commitments arising from the Sulawesi Project.

Sherritt believes that our sustainability framework appropriately addresses the issues/risks resulting from these events.

Message from the President and Chief Executive Officer

In 2013, Sherritt International Corporation initiated a business strategy to better focus on our core strengths and unique expertise and experience, which includes sustainability. At Sherritt, we see sustainability as a performance driver and competitive advantage. Last year, we formalized our work in this area with the launch of our company-wide Sustainability Framework.

Business Changes and Milestones

In line with our business strategy, we announced the sale of our Coal business at the end of 2013 and we withdrew from the Sulawesi nickel project in Indonesia in early 2014. These changes allow for greater focus on our core assets, while strengthening the balance sheet.

In January 2014, the Ambatovy nickel and cobalt operation in Madagascar reached the commercial production level. We are proud of this achievement, accomplished in tandem with our application of industry-leading sustainability standards for environmental management, community relations and ethical behavior.

Health and Safety

I am pleased to report that Sherritt continued its strong health and safety performance in 2013. Our workforce completed the year with no fatalities and a notable reduction in incident rates; our overall lost-time incident rate in 2013 was 35% better than in 2012. As part of our commitment to continuous improvement, we undertook an enterprise-wide review of our safety management systems, to identify opportunities for achieving greater consistency across all operations.

Environment

On the environmental front, late in the year we experienced a breach in a water containment pond at the Obed Mountain coal mine in Alberta that resulted in a significant release of mud, clay, coal particles, and water from the site. We quickly mobilized our response team, working with regulatory bodies, and began engaging extensively with First Nations and local stakeholders to keep them informed and address their concerns. Following the close of the sale of the Coal business in early 2014, Sherritt retains obligations for remediation of this event and continues to provide oversight for this important work.

In Cuba, we completed construction of a second generating unit that uses waste heat to produce electricity, resulting in lower greenhouse gas emissions compared to conventional power generation. At Ambatovy, we helped establish a new protected area of 8,000 ha., linking the forest around the mine to protected areas nearby.

Communities

In 2013, our community development and investment programs remained very active. Ambatovy was recognized by the United Nations and the Government of Madagascar as one of the country's best private-sector providers of humanitarian aid. In Madagascar, we also maintained our focus on developing a strong local supply chain through the Ambatovy Local Business Initiative. In Fort Saskatchewan, Alberta, a community we have been part of since 1954, we made contributions to the Sherritt Health Services Centre at the local hospital and other charitable initiatives last year. In Cuba, our community investment program continues to meet needs identified by Cuban stakeholders through their local planning processes; current projects involve health- and education-related infrastructure.



David V. Pathe

Chief Executive Officer
Sherritt International Corporation

Workforce

Sherritt prides itself on its ability to hire and retain top talent. All of our operations provide employees with training opportunities to further develop their skills. In 2013 and 2014, this has included a special focus on leadership and supervisory training, to support long-term staffing needs and succession planning.

Sherritt's sustainability performance is the result of the dedication and hard work of our employees and contributes to our reputation as a leading responsible operator in our sector. I want to thank all of our employees, our partners and the many other supporters who contribute to our performance in this area.



David V. Pathe

Chief Executive Officer

Sherritt International Corporation



Safe and Rewarding Workplace

Sherritt's operations are built upon a culture of health and safety. We strive to ensure that every employee returns home from work safely. We endeavour to minimize risks and communicate them to communities around our facilities.

[Learn more about our Management Approach](#)



Health and Safety

We are committed to zero harm. Zero harm means zero fatalities, no injuries and no work-related illnesses among employees and contractors.

[Learn more about Health and Safety](#)



Public Safety

We maintain public safety around our sites through effective risk management, active communication and ongoing community engagement.

[Learn more about Public Safety](#)



Rewarding Workplace

We provide a rewarding workplace that engages and develops our workforce, compensates employees competitively, and offers them exposure to world-class operations, projects, processes and people.

[Learn more about Rewarding Workplace](#)

For 2013 performance data, see Workplace Indicators.

Management Approach

Sherritt’s operations are built upon a culture of health and safety. We strive to ensure that every employee returns home from work safely. We work hard to minimize operational risks and communicate them to communities around our facilities. We continue to make employee engagement and development a top priority.

Building on our Operations Integrity Management System and the strong health and safety (H&S) management systems and practices in each of our divisions, Sherritt is further strengthening its corporate-wide H&S management system. This effort will provide greater consistency across our operations and continue to drive H&S performance improvement. We will increase our use of leading performance indicators to reflect our focus on prevention and leadership.

Our corporate H&S management system will draw on the frameworks established in recognized Canadian and international standards, including the Mining Association of Canada’s Towards Sustainable Mining (TSM) program, International Organization for Standardization (ISO) 14001, the International Finance Corporation’s Performance Standards and Occupational Health and Safety Assessment Series (OHSAS) 18001.

Sherritt is proud of the team we have in place across the Corporation, and we want to ensure our employees continue to find Sherritt to be a rewarding place to work — one that considers their well-being and professional development. To that end, we are continuing to address the opportunities identified in the most recent employee engagement survey. Sherritt is committed to investing in our people through targeted development. Our training programs address specific requirements related to our sustainability commitments, such as anti-corruption training.

Workplace Priorities

Commitment Area	Priority	2013 Progress
Health & Safety	<ul style="list-style-type: none"> • Reinforce a strong H&S culture among employees and contractors through visible leadership, training and leading KPIs • Align H&S management systems with TSM Safety & Health Protocol requirements 	<ul style="list-style-type: none"> • Increased communicated expectations, safety inspections, safety walks and contractor coaching • Developed draft Environment, Health and Safety policy, which aligns with the sustainability framework and TSM; it is under review by all divisions • Implemented cross-divisional H&S sharing and learning forums
Public Safety	<ul style="list-style-type: none"> • Refine crisis management and crisis communications plans at all levels of the Corporation to reflect lessons learned from recent incident at a Coal facility and to align with TSM requirements • Continue to work with local, regional, provincial and national stakeholders and authorities to facilitate alignment in protocols, responses and communication activities 	<ul style="list-style-type: none"> • Began transitioning to a public safety management system common to government and industry for our refinery in Fort Saskatchewan • Supported joint fact-finding initiatives and other collaborations with the Regional Industrial Risk Management Committee at Ambatovy’s plant site

Commitment Area	Priority	2013 Progress
Rewarding Workplace	<ul style="list-style-type: none"> • Attract and retain talent in a competitive marketplace, partly through strengthening Sherritt's employment brand • Increase development and delivery of leadership and supervisory training • Strengthen workplace culture at existing operations and foster employee engagement 	<ul style="list-style-type: none"> • Improved talent assessment tools and review process, and developed innovative programs, such as phased retirement • Delivered over 40,000 hours of employee training • Continued to roll out the Leadership Development Program and workshops for managers and supervisors • Increased employee communications and recognition as well as CEO visibility, through town hall meetings, memorandums and newsletters

Health and Safety

Sherritt's operations are built upon a culture of health and safety (H&S). We strive to ensure that every employee returns home from work safely. Our H&S culture is supported by an Operations Integrity Management System, which is based on 10 key elements for environmental and H&S management. H&S issues are managed through systems for incident investigation, hazard identification and control, contractor management, maintenance of safeguards and follow-up assessments. Going forward, we will enhance our H&S management system with a greater focus on leadership and prevention, and enterprise-wide alignment with the Towards Sustainable Mining's Safety and Health Protocol.

In 2013, Sherritt's 12-month rolling average lost time injury (LTI) and total recordable injury (TRI) indices stood at 0.11 and 0.36 respectively, compared to 0.17 and 0.38 in 2012. Sherritt sets targets of 0.00 and 0.60 for the LTI Index and TRI Index respectively. Sherritt's workforce completed 2013 with no fatalities. Comparisons of LTI and TRI performance with peer resource companies and industry benchmarks, such as Ontario's Workplace Safety North and the U.S. Mine Safety & Health Administration, continue to be favourable. Nevertheless, Sherritt is driving continuous improvement through the deployment of aggressive health targets and innovative management systems.

Metals

Moa Joint Venture (Moa JV)

In 2013 there were fewer significant incidents at both the site in Fort Saskatchewan, Alberta, and in Moa, Cuba. This resulted in lower TRI and LTI Index levels of 0.63 and 0.49 respectively for the Moa JV. More attention to communications of expectations with employees and contract groups, combined with increased auditing, training and leadership presence have contributed to this reduction. However, more consistent improvement is being targeted. The TRI and LTI targets for the Moa JV remain at 0.50 and 0.00 respectively.

Thorough analysis was conducted at both Canadian and Cuban sites of the Moa JV to understand the root causes of LTIs and TRIs and to develop changes to improve performance. A large number of incidents were found to relate to contractors. As a result, significant effort has been expended to ensure they comply with all of Sherritt's on-site safety standards and that they follow similar safety programs when working offsite. We have also been increasing training requirements for new employees and providing refresher training for established members of our workforce.

As part of its increased safety focus, the Fort Saskatchewan site set a target for safety inspections of 1,200 for 2013. The total actually completed was 1,534, prompting the target to be increased to 1,300 for 2014. The inspection increase was implemented to show the emphasis placed on being more visible in the field where work is actually occurring.

Also in 2013, a new leadership walk program was introduced to emphasize the attention of senior management at the Fort Saskatchewan site on environment, health and safety (EH&S) performance. Although the program began late in the year, it still resulted in 16 H&S walks and four environmental walks, respectively. The program allows leaders to interact with the workforce and discuss general topics or specific areas of concern or achievement. The number of leadership walks is expected to increase over time. The target for 2014 is for 96 walks to be held.

A Basic Safety Program Audit was conducted on the Fort Saskatchewan site's health and safety processes in late 2013, using the Alberta Association for Safety Partnerships protocol. Renewal of the site Certificate of Recognition is granted upon the confirmation of a passing grade of 80% or higher. The audit results confirmed that an audit score of 88% was achieved.

Ambatovy Joint Venture (Ambatovy)

As part of its commitment to "zero lost time", Ambatovy has made significant strides in developing a proactive safety culture and it launched a number of support initiatives to ensure continued success. Ambatovy takes great pride in maintaining a TRI below 0.60 during the year.

In 2013, safety walks were introduced at Ambatovy to enhance awareness of H&S practices and increase visibility of management's H&S commitment. In 2013, there were five management walks conducted with senior management and contractor site management, and six field safety walks conducted with contractor H&S representatives.

Ambatovy held three safety days in 2013 to inform and improve the attitudes and behaviours of employees and contractors with regard to safety. These Ambatovy-wide, one-day events allowed employees and contractors to learn about new initiatives, such as the H&S Golden Rules, and to partake in activities aimed at enhancing interaction and teamwork. The H&S Golden Rules are a set of 12 key safety messages in English, French and Malagasy, designed to remind workers to protect themselves and others from hazards. Safety awareness sessions are conducted with employees and contractors at the start of each workday. A campaign is in place to identify risks associated with all tasks prior to starting a job. At the plant site, there is an H&S representatives' program, in which workers coach each other on how to follow H&S rules and procedures. These activities help to prevent incidents in the workplace and foster a strong safety culture.

To ensure that safety measures are followed, all new employees complete an H&S induction and mandatory specialized training prior to starting their work. Ambatovy also provides workers with a complete H&S training program and emergency exercises during the year.

Safety training continues to be followed up with risk management initiatives, such as quarterly risk reviews and an on-site office dedicated to inspecting, maintaining and calibrating industrial hygiene, fall protection and breathing assistance equipment. In addition, quantitative-based risk assessments supplement routine assessments; a change-management process is in place to ensure that new installations and/or significant modifications comply with Sherritt and Ambatovy standards; an easy-access information management system was launched for records of related equipment additions and changes; and a safety review procedure was implemented for training relevant personnel on new initiatives.

Ambatovy continued to work with all contractors to bring them in closer alignment with its H&S standard. In 2013, Ambatovy instituted a coaching program whereby Ambatovy's H&S team met with H&S representatives from non-process contractors on a weekly basis to enhance their understanding of H&S standards and procedures. As part of its overall safety program, Ambatovy carried out 30 safety audits of major contractors in 2013. They received an average score of 80%. Ambatovy also conducted "permit to work" audits on a daily basis, as part of a targeted effort to ensure that all active contract permits were audited.

In collaboration with an external consultant, Ambatovy conducted a pre-qualification audit on Occupational Health and Safety Assessment Series (OHSAS) 18001, the highest international standard for occupational health and safety. As a result of the audit's findings, Ambatovy began updating key procedures to further align with the OHSAS criteria. Upon completion of doing so, Ambatovy will apply for OHSAS 18001 certification.

Coal¹

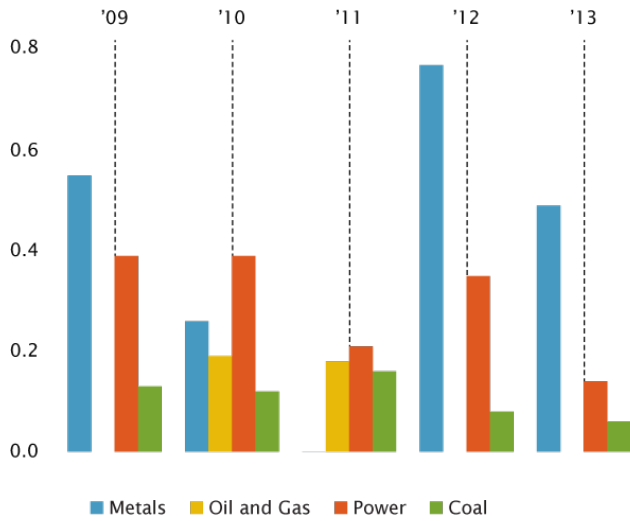
Our Coal employees have worked hard for many years to establish an outstanding operations' safety record. In 2013, the Canadian Institute of Mining, Metallurgy and Petroleum presented the Genesee mine with the John T. Ryan Trophy for achieving the lowest reportable injury frequency in a coal mine per 200,000 hours worked in Canada in the previous year.

Coal maintained its focus on safety in the workplace, with highly developed systems already in place. At the end of 2013, several of Sherritt Coal's mines continued to achieve significant safety milestones, recognizing years without an employee LTI. The most notable of these were Boundary Dam mine (eight years), Sheerness mine (17 years) and Genesee mine (24 years).

1. In late 2013, Sherritt announced the sale of its Coal business. See Significant Changes section for information.

Lost Time Injury (LTI) Index^{1,2}

(12-month rolling average as at December 31, 2013)

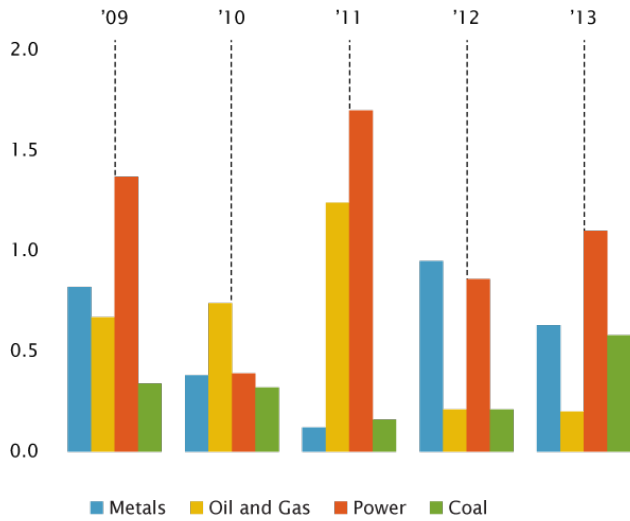


1. The LTI and TRI indices are calculated by multiplying the number of total LTIs or TRIs by 200,000 and then dividing by total exposure hours. This index provides a measure that is comparable across industries and businesses of varying size.

2. Data have been restated to include contractors throughout.

Total Recordable Injury (TRI) Index^{1,2}

(12-month rolling average as at December 31, 2013)



1. The LTI and TRI indices are calculated by multiplying the number of total LTIs or TRIs by 200,000 and then dividing by total exposure hours. This index provides a measure that is comparable across industries and businesses of varying size.

2. Data have been restated to include contractors throughout.

Public Safety

We recognize that the first way to ensure the safety of the communities around our operations is to make certain that each of our sites are free of harmful emissions and that all substances are properly managed and controlled. Our management approach to ensuring public safety has been influenced by Canadian and international standards, including Towards Sustainable Mining's Crisis Management protocol, standards set by the International Organization for Standardization (ISO), the International Finance Corporation's Performance Standards, and the Incident Command System's management approach.

At the Moa Joint Venture refinery in Fort Saskatchewan, we regularly conduct emergency-simulation exercises with local police services and other first responders to improve our ability to respond, which includes activating our crisis management team and ensuring the efficient flow of information to the community. The refinery also conducts tabletop emergency operations centre (EOC) exercises to test its readiness for managing potential incidents that involve the chemicals and materials on site.

In 2013, the Fort Saskatchewan refinery began adopting an Incident Command System (ICS) management approach that is used by all levels of government and many private-sector companies for responding to emergencies. Fundamental training on the philosophy behind the system and the system itself was carried out this past year. ICS has also been adopted by industry in Fort Saskatchewan and the municipality, facilitating common understanding and allowing for more efficient use of resources. There are two EOC simulations planned for 2014 using an ICS approach.

In Madagascar, the Ambatovy Joint Venture (Ambatovy) continued to participate in and support the Regional Industrial Risks Management Committee's initiatives, working in close coordination with the National Office for the Management of Disasters and Catastrophes (BNGRC) and the French Cooperation Program, in order to facilitate the mobilization of national and international experts to further develop the regional authorities' emergency response plans. Ambatovy also continued to test and provide training for its own emergency response and crisis management plans.

In November 2013, the United Nations Environmental Program, the Office for the Commission of Humanitarian Affairs and the BNGRC conducted a risk assessment at Ambatovy to formalize the United Nations Awareness and Preparedness of Emergencies at the Local Level (APELL) program. The APELL program focuses on building institutional capacities and capabilities at the regional level. Their joint report, including recommendations, is under review.

Ambatovy collaborates with civil society to promote HIV/AIDS awareness among our workforce and in the community. In addition, we have worked with the United Nations Children's Fund and other organizations to address the challenging social issue of child exploitation in areas adjacent to our operations. Learn more about this effort on Ambatovy's website.

Fort Saskatchewan partnerships for public safety

At Fort Saskatchewan, we partner with local industries, through groups such as the **Fort Air Partnership**, the **Northeast Capital Industrial Association** and the **Northeast Region Community Awareness Emergency Response**, to coordinate response preparedness for environmental incidents and other potential emergencies. An important part of these efforts involves executing awareness-building campaigns in the local community.



Rewarding Workplace

We value our people and seek to provide them with a rewarding workplace. We do this by engaging them regularly and creating forums for input and feedback, providing ongoing training and professional development opportunities, periodically assessing compensation practices against performance and industry benchmarks, and implementing cross-divisional, cross-functional and cross-site training or work-experience programs, such as the Sherritt Leadership Development Program.

Talent Management

In 2013, we undertook various retention and employee development initiatives. We continued with our efforts on workforce planning to map out personnel needs for the next three to five years by proactively identifying specialized talent currently in place and future requirements. This process identifies gaps and enables us to mitigate them through fully integrated employee programs, such as learning and development, compensation, recruitment, and succession and replacement planning. Moving forward, strategic priorities include improved assessment tools and talent review, continued focus on performance pay and phased retirement programs for eligible salaried employees to retain and transfer knowledge.

Refer to the Training and Development page for more insights into Talent Management.

Employee Engagement

Based on the results of our 2011 Employee Engagement Survey, each of our Divisions continued to focus on actions to improve employee communication, development, recognition, and compensation programs.

Across Sherritt, we focused on enhancing internal communication, so that employees better understand the direction of the company and how their efforts are aligned to corporate goals. This year the use of technology enabled us to reach a broader employee audience through electronic quarterly newsletters and a CEO town hall video broadcast.

A series of interviews were conducted with recent "new hires" to better understand the "new hire" experience at Sherritt and, as a result, actions are being taken to improve the on-boarding program.

The enterprise-wide Sherritt Leadership Development Program continues to strengthen our leadership capability, broaden understanding of our business and develop effective working relationships across the company. In 2013, we completed our fourth cohort and since the introduction of this program in 2011, 65 leaders from across Sherritt have participated in the program. In addition, 434 participants completed division-specific management training programs in 2013. Building leadership capability will continue to be a priority. Visit the Training and Development page for more information on related efforts in this area.

Workshops were conducted with managers and employees to improve effectiveness in goal setting and performance management. Efforts to instill a pay-for-performance culture continued, with revisions to the profit-sharing plan for salaried employees. The revisions provide for a broad-based incentive plan with greater linkages to an individual's performance.

SHARP program for engineering graduates

The Sherritt Accelerated Rotation Program (SHARP) for engineering graduates continues to attract professionals interested in the diversity of career opportunities available both domestically and internationally. SHARP involves three one-year assignments across Sherritt. With the support of a mentor, SHARP participants are integrated into existing teams to foster their development. In 2013, four new hires became the first cohort in this program and began their first rotational assignment.



Training and Development

Our focus on skills training, professional development and staff retention has enabled us to maintain an experienced, stable workforce. We encourage both new accreditations for our workers as well as regular upgrades to their skill sets. Having a highly skilled workforce helps Sherritt maintain its competitive advantage.

Metals

Moa Joint Venture (Moa JV)

The Moa JV operation in Cuba provides training on a diverse range of skill sets, including safety, plant operations, vessel inspection, International Organization for Standardization standards, project management, working in confined spaces, leadership, mining equipment operation, first aid, incident review, defensive driving, ethics for managers, scaffolding, warehouse management, language and emergency response, among others. Cuban trainees from the Moa JV who complete prescribed programs receive Canadian-level accreditation at a Cuban technical institute accredited by the Northern Alberta Institute of Technology (NAIT).

In 2010, a separate training and development group was created at the Fort Saskatchewan operation in Alberta to address training needs for work currently being performed, as well as to enhance leadership talent and workforce specialization. A leadership development initiative for front-line supervisors is underway, focusing on skills in communication, performance management, conflict and confrontation, change management and coaching.

In 2013, 10,425 hours of regulatory training was completed at the Fort Saskatchewan operation. The regulatory training program target for 2013 was set at 8,000 hours and is specific to health and safety processes and mobile equipment, in addition to the inclusion of enhanced safe work permit training and new courses for incident reporting and electrical safety awareness. These additional courses will ensure the workforce remains knowledgeable and suitably trained in line with industry standards and legislative requirements. The target for 2014 has been increased to 11,000 hours to include regulatory training and emergency response and preparedness. Other categories will be added to fully indicate the site training and development efforts, such as leadership development and environmental awareness. A new learning management system is planned to enable increased tracking and management of all training activities and processes.

Ambatovy Joint Venture (Ambatovy JV)

The Ambatovy JV's priority is to train national employees to progressively take over from foreign workers and to prepare national talent for senior management roles. We launched a leadership program to give talented local employees the skills and development opportunities they need to grow and advance in their career. See the Ambatovy JV website for details.

Thousands of Ambatovy JV workers have also received manual, technical and administrative capacity building through a combination of on-the-job training, e-learning and traditional instructor-led classes. Training was provided in various subject areas, including: maintenance training on various topics; French and English language; office and administration software; management and leadership skills; and corruption and fraud prevention.

In 2013, 25 national employees completed a 35-hour management training program to acquire the skills that will help them be successful as they advance to higher positions at Ambatovy. The program was developed specifically for new and potential supervisors and delivered by Ambatovy's training team.

Coal¹

In 2013, training in Coal included emergency response, occupational health and safety regulations, maintenance management, high-voltage breaker maintenance, electrical safety, picker and crane, leadership, standard first aid and Workplace Hazardous Materials Information System (Canada's national hazard communication standard).

Coal also rolled out a front-line supervisor training program to provide a consistent approach to coaching in the fundamentals of supervision across all its mine sites. Program components include regulatory requirements, leadership

qualities, and managing employees and relationships.

Oil and Gas and Power

Both Oil and Gas and Power Divisions maintain a long-standing training program for Cuban workers through affiliations with NAIT in Edmonton and the Southern Alberta Institute of Technology in Calgary.

This program is managed in Cuba for Cuban trainees with equivalency tests issued by a Cuban training school. All employees are encouraged to continue their training; and at the end of 2013, Oil and Gas and Power employed 107 Cubans who were working to obtain accreditation as instrumentation technicians, millwrights or electricians. These accreditations will earn them a certification that is equivalent to that of a Canadian journeyman. In 2013, another 38 Cubans were training to become gas plant operators, 40 were completing various levels of the power engineering course, 19 were training to become production field operators and 19 were training as mechanical, electrical or instrumentation apprentices. Each individual is tested every two years on all standard operating procedures to retain qualified operator status.

Oil and Gas and Power also provide training in operating systems, specialized equipment protection maintenance and operation, safety systems and safe operation of equipment, leadership skills and office skills.

At Oil and Gas, 13,228 training hours were completed in 2013, representing 6.31 days per employee, in addition to the apprenticeship training being completed at the National Industrial Certification Centre (CNCI) in Cuba, and facility-specific on-site training for operations. There were 423 training certificates issued to Oil and Gas employees in 2013.

At Power, 18,279 training hours were completed in 2013, representing 9.06 days per employee, in addition to the apprenticeship training being completed at CNCI in Cuba, and operations training on standard operating procedures. There were 97 training certificates issued for Power in 2013.

1. In late 2013, Sherritt announced the sale of its Coal business. See Significant Changes section for information.

Training at Ambatovy

The Ambatovy Joint Venture's priority is to train national employees to progressively take over from foreign workers and to prepare national employees for senior management roles. We have launched a leadership program to give talented local employees the skills and development opportunities they need to grow and advance in their career. In 2013, a total of 102 employees participated in this program. Of these, at least 88% completed 75% or more of the modules offered.

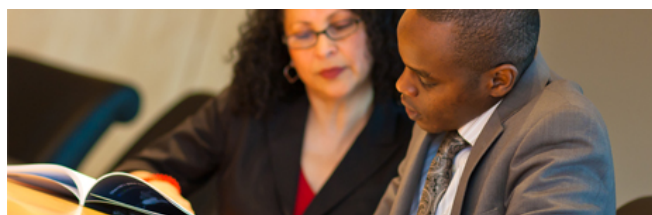




Operating Ethically

Sherritt is committed to conducting its business activities ethically and in a way that supports respect for the fundamental principles of human rights enshrined in international conventions.

[Learn more about Operating Ethically](#)



Business Ethics

We strive to foster a culture and environment that support and require ethical conduct.

[Learn more about Business Ethics](#)



Human Rights

We are committed to operating our business in a way that respects human rights as set forth in the Universal Declaration of Human Rights.

[Learn more about Human Rights](#)

For 2013 performance data, see Ethics Indicators.

Management Approach

Sherritt is committed to conducting its business activities ethically and in a way that supports respect for the fundamental principles of human rights enshrined in international conventions.

In support of this commitment, we are establishing a corporate policy management approach to help ensure policies are transparent, consistent, auditable and implemented effectively across the Corporation.

We have also instituted an Anti-Corruption Policy and awareness and training program to support compliance with Canadian regulations, other laws and good practice, and a Human Rights Policy, which aligns with the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, and the Voluntary Principles on Security and Human Rights. We also remain committed to transparency through support of such initiatives as the Extractives Industry Transparency Initiative in Madagascar, active participation in the Government of Canada’s stakeholder engagement on transparency reporting regulations, and our own disclosure of material events.

At the Ambatovy Joint Venture (Ambatovy JV), principles from international standards related to ethics and human rights, such as those defined by the International Council on Mining and Metals and the International Finance Corporation, are also applied and integrated, where applicable, into internal planning and strategies.

Ethical Operation Priorities

Commitment Area	Priority	2013 Progress
Business Ethics	<ul style="list-style-type: none"> • Further align the Anti-Corruption Policy with new and evolving legal requirements and good practice • Deeply embed anti-corruption in Sherritt culture at all sites • Continuously improve specialized employee programs on anti-corruption, ethical conduct and sensitivity training • Strengthen the effectiveness of the reportable concerns process at all sites 	<ul style="list-style-type: none"> • Completed initial anti-corruption training program for all employees • Conducted four internal audits and one third-party review on anti-corruption • Provided anti-corruption training to over 7,650 contractor and supplier employees at Ambatovy • Developed program for providing anti-corruption training to new hires • Updated reportable concerns process, and conducted review of third-party service provider for anonymous reporting
Human Rights	<ul style="list-style-type: none"> • Strengthen management systems, policies and procedures that relate to human rights • Integrate human rights criteria into fundamental business processes such as purchasing, risk assessment and training programs • Align Sherritt’s security practices with requirements of the Voluntary Principles on Security and Human Rights (VPs) 	<ul style="list-style-type: none"> • Finalized and issued Sherritt’s corporate-wide Human Rights Policy • Completed VPs human rights risk assessments at projects and operations in Canada, Indonesia and Madagascar

Business Ethics

Sherritt recognizes sound corporate governance as essential to the Corporation's integrity and to the promotion and protection of shareholders' interests. We provide leadership by example, supported by clear policies, training, anonymous reporting mechanisms, sound investigation, corrective action and reporting processes.

Governance is embedded in the comprehensive structure of our Board of Directors' Committee mandates. The Nominating and Corporate Governance Committee is of critical importance, with a mandate to assist the Board in fulfilling its oversight responsibilities for all matters relating to corporate governance. The full mandate of this committee can be found on our website.

Sherritt's Board is led by a non-executive Chairman, who is responsible for ensuring that the Board operates independently of management and that its independent directors have adequate opportunities to meet without management present. In this way, the Board is properly informed and engaged in oversight of the Corporation's business activities through its committee structure. All committees are composed entirely of independent directors.

The Corporation's governance system includes responsibility for fair reporting and ethical and legal corporate conduct. Governance is also well integrated in many corporate and divisional policies, some of which are referenced below.

Policies

Ethical business practice is basic to all our activities and outlined in our corporate Business Ethics Policy. This policy establishes primary ground rules for conflict of interest, fraud, corruption, fair dealings with stakeholders, protection of Sherritt assets, compliance, unethical behaviour and reporting any issues of concern. It specifies that ethical conduct is expected from all Sherritt employees, including directors and senior officers. It applies to Sherritt, its subsidiaries, affiliates and joint ventures, as well as to our consultants and contractors. Where additional clarification is considered appropriate, certain concepts in the Business Ethics Policy are expanded on in other policies. Such concepts include: alcohol and drug use, reportable concerns, anti-corruption, timely disclosure, confidentiality and insider trading.

Our policies outline ways in which employees can raise concerns about any issue through their supervisors or through senior management. Employees also have access to an online and telephone-based service hosted by a third party that ensures reportable concerns are anonymous and confidential. This service uses built-in mechanisms so employees can make a report without fear of any internal discrimination, retaliation or harassment.

Anti-Corruption

Sherritt's Anti-Corruption Policy is supported by an anti-corruption program to ensure employees in all divisions regularly receive culturally appropriate information and training on complying with the policy. Sherritt regularly audits corruption-related risks and the effectiveness of the policy and program, which are regularly reviewed and adjusted to reflect the evolving legal requirements and good practice for anti-corruption compliance.

Sherritt's Business Ethics Policy

For over a decade, Sherritt has had a Business Ethics Policy in place. This has been regularly updated to ensure that employees understand the meaning and implications of such terms as conflict of interest, fraud, corruption, fair dealings and confidentiality. This policy provides clear guidance on Sherritt's expectations for employee behaviour and, in concert with the Reportable Concerns Policy, how staff can report any ethics-related concerns, either directly or anonymously.



Human Rights

Sherritt's Human Rights Policy was formalized in early 2013, based in part on the many pre-existing policies that reflect the Corporation's care for individual rights. The new policy explicitly aligns with the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the Voluntary Principles on Security and Human Rights (VPs).

Sherritt also has policies on harassment and discrimination, accessibility for customers and guests, indigenous relations, employment practices, workplace violence and employee privacy. All employees, regardless of their position in the Corporation, are expected to respect both fellow workers and the surrounding communities.

In 2013, Sherritt contracted a third party to conduct risk assessments on the VPs at all of its operations to potentially support a future application to the Voluntary Principles Association. By the end of the year, assessments were completed for assets in Canada, Indonesia and Madagascar.

The Ambatovy Joint Venture (Ambatovy JV) has embedded the VPs into its security-related policies, memorandums of understanding with public security, and private security contracts. The Ambatovy JV has held presentations on the VPs for Madagascar's armed forces, gendarmerie, security and defense authorities. Partnerships have been formed with the United Nations, the International Committee of the Red Cross and Madagascar's Ministry of Justice to deliver security and human rights awareness training.

In addition to the VPs, the Ambatovy JV endeavours to align itself with other international principles related to human rights, including those defined by the International Council on Mining and Metals as well as the International Finance Corporation Performance Standards, to which Ambatovy is required to comply as part of its lending agreement for project financing. Aside from internal awareness campaigns, the Ambatovy JV also ensures that contract workers are properly trained to comply with its requirements for human rights.

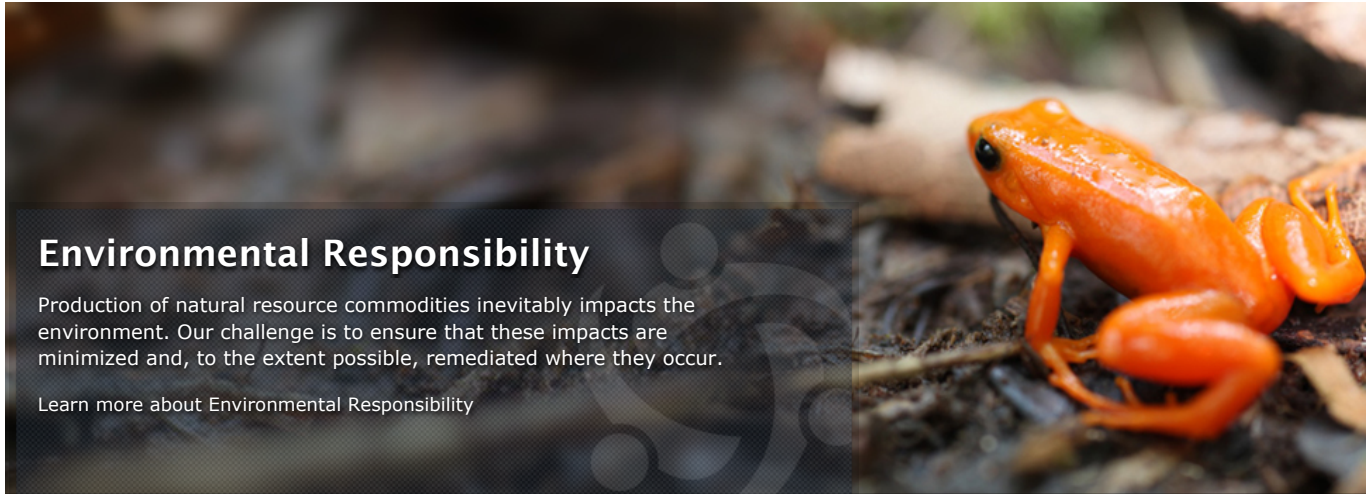
We aligned the Sulawesi Project in Indonesia with leading practices relating to human rights and respecting local populations. The community affairs team was very conscious of the history of the area and the resulting blend of cultures, economic structures and religions. All of the Sulawesi Project's community programs were developed around that knowledge to ensure equal respect for all. An inquiry and complaints procedure was established and publicized in all communities near the Project. As of the end of the year, there had been no complaints submitted.

Grievance mechanism at Ambatovy

Ambatovy is committed to facilitating stakeholders' questions and concerns. A grievance mechanism to address affected communities' concerns and complaints is an important pillar of the stakeholder engagement process. As a responsible mining company, Ambatovy is committed to complying with the laws and frameworks that regulate mining activities. Ambatovy's comprehensive grievance mechanism, created in 2010, is modelled on best practice guidance.

In 2013, Ambatovy received approximately 1,000 grievances and improved its 30-day response rate from 48% to 67%. Grievances were raised for issues ranging from compensation procedures to environmental concerns.





Environmental Responsibility

Production of natural resource commodities inevitably impacts the environment. Our challenge is to ensure that these impacts are minimized and, to the extent possible, remediated where they occur.

[Learn more about Environmental Responsibility](#)



Tailings Management

We are committed to designing and operating all tailings management facilities – throughout the mine lifecycle – to meet or exceed applicable regulatory and company standards.

[Learn more about Tailings Management](#)



Biodiversity and Land

We aim to achieve no net loss, and preferably a net gain, of biodiversity for greenfield projects and significant expansions of current operations; and practice progressive reclamation as part of normal operations at all mines, working with local jurisdictions.

[Learn more about Biodiversity and Land](#)



Water

We manage water responsibly by optimizing water use, addressing water-related risks to future operational viability and growth, and engaging communities on the use of, and impacts to, shared water resources.

[Learn more about Water](#)



Energy and Climate Change

We monitor and track energy use and greenhouse gas emissions at each site and identify opportunities to reduce impact; and understand and mitigate the potential impacts of climate change on our assets.

[Learn more about Energy and Climate Change](#)

For 2013 performance data, see Environment Indicators.

Management Approach

Production of natural resource commodities inevitably impacts the environment. Our challenge is to ensure that these impacts are minimized and, to the extent possible, remediated where they occur.

Sherritt has always committed to responsible and forward-looking environmental stewardship by complying with, or exceeding, the environmental requirements where we operate. Our specific commitments in the areas of tailings management, biodiversity and land, water, and energy and climate change will focus our efforts and bring more consistency in environmental management practices and performance across our operations.

At its core, our current environmental management approach, which is based on the Operations Integrity Management System framework, ensures that we regularly measure, evaluate and communicate our performance. This provides the basis for continuous improvement – including the more efficient use of resources: energy, air, water and land – and allows us to make incremental contributions to the conservation of biodiversity at our projects and operations over the long term.

Also embedded in our management approach is an overlying principle to engage with local stakeholders on environmental issues, recognizing the shared use and management of key resources, such as land and water, and the need to assess longer-term risks related to climate change and other areas.

We are currently conducting a general review of our environmental management system. Our intention is to revise and align it with relevant standards and protocols set out by the Mining Association of Canada's Towards Sustainable Mining (TSM) program and the International Organization for Standardization. For commitment areas that are not covered by a TSM protocol, such as water, we are developing our own management standard in line with leading practices in the natural resources sector.

At the Ambatovy Joint Venture (Ambatovy), we are committed to preserving and strengthening Madagascar's natural heritage. We continue to implement the Ambatovy JV Environmental Management and Social Development Plan, accepted by Madagascar's environmental regulator, the National Environment Office (in French, ONE), in 2006. A multi-ministry Technical Evaluation Committee and the ONE conduct an annual inspection of Ambatovy JV operations to evaluate compliance with the Environmental Management and Social Development Plan.

Environment Priorities

Commitment Area	Priority	2013 Progress
Tailings	<ul style="list-style-type: none"> • Design and implement a tailings management system aligned with the TSM requirements • Address technical challenges and ensure regulatory compliance at all tailings facilities 	<ul style="list-style-type: none"> • Completed internal audit of tailings facilities at the Moa Joint Venture (Moa JV) and Ambatovy, based on TSM's Tailings Management protocol • Completed placement of intercept wells at the Ambatovy tailings management facility
Water	<ul style="list-style-type: none"> • Optimize water withdrawal at Ambatovy • Maintain groundwater monitoring at all locations and initiate studies of water use to better understand the use profile at all locations 	<ul style="list-style-type: none"> • Implemented monitoring programs and engineering controls to ensure drinking water quality at the Ambatovy mine site
Biodiversity and Land Management	<ul style="list-style-type: none"> • Maintain a strong focus to meet Ambatovy's biodiversity commitments and requirements • Continue alignment of biodiversity and land management with TSM's Biodiversity Conservation Management protocol • Improve process for setting reclamation targets 	<ul style="list-style-type: none"> • Developed a more robust biodiversity action plan and management system for Ambatovy • Established standardized reclamation terminology for reporting and indicators across Sherritt • Received recognition from local authorities of positive reclamation and erosion control measures at the Moa JV operation in Cuba
Energy and Greenhouse Gas (GHG)	<ul style="list-style-type: none"> • Evaluate and identify GHG emission-reduction and energy efficiency opportunities in project design and operations to reduce costs • Continue reporting process under the United Nations Framework Convention on Climate Change to obtain GHG credits for existing and new emission-reduction projects • Align energy and climate change management and reporting with TSM's Energy and GHG Emission Management protocol • Update infrastructure vulnerability assessments to better understand the potential business impacts of a changing climate 	<ul style="list-style-type: none"> • Recorded additional emission reductions at the Varadero Clean Development Mechanism project to bring the total reductions reported or awaiting verification to 840,000 tonnes of CO₂e • Completed construction of a power-generating unit that recycles heat from exhaust in Cuba

Tailings Management

Ensuring that tailings from the processing of mineral products are properly handled or contained and prevented from entering the environment is critical for the protection of the environment and the community. We design and operate our tailings management facilities to meet or exceed all applicable regulatory and company standards.

Sherritt's mining operations in Cuba and Madagascar are the primary locations of tailings. There is also a small amount of leach residue at our Metals refinery in Fort Saskatchewan. Coal's Mountain Operations (Coal Valley and Obed Mountain mines) operate wash plants that mechanically separate rock, minerals, soil and other natural materials from the coal product. The process water with these reject materials is placed in containment ponds that are designed to allow effective settling, allowing water to be reused in the washing process. We consider these containment ponds to be process water rather than traditional tailings from intensive mining. The wash process enables coal to be separated from other mineral or rock material. In 2013, there was an incident at one of the water containment ponds at Coal's Obed Mountain mine; refer to the Water section for further details.

At the Moa Joint Venture operation, we have implemented a number of improvements to the tailings areas that were originally designed and constructed in the 1970s, following reclamation of a facility that was started in the 1950s. To enhance long-term technical, safety and environmental performance, and to prepare for the eventual closure of the tailings management facility, we are reviewing alternate tailings management approaches that remain in conformity with both Cuban regulations and international tailings management practices.

At the Ambatovy Joint Venture (Ambatovy), the tailings management facility is now operational, though still at the early stage of its life. The tailings facility, located several kilometres inland from the plant site, has been designed to meet specific international standards as set out by the Canadian Dam Association, the International Commission on Large Dams and the Mining Association of Canada. The plant design provides for neutralization and precipitation of the tailings slurry with limestone and lime prior to discharge to the tailings basin. Containment in the tailings basin is achieved by progressive elevation of embankments encompassing Ambatovy's tailings facility. Groundwater modelling indicates that seepage losses will be low due to the low permeability of the regional soils and the subsequent tailings layer that will be present. A network of 17 groundwater interception wells have been drilled, to monitor and prevent any contaminant migration. The well network, including pumps, piping and control systems, will be completed in 2014 to make the system fully operational.

Tailings management at the Ambatovy JV

Seventeen newly installed groundwater interception wells at the Ambatovy JV tailings management facility will provide early warning of any possible groundwater encroachment from the tailings dam.



Biodiversity

Sherritt operates in different industrial spheres and in different countries. That complexity adds to the challenge in caring for the distinct ecologies around each facility. To meet our biodiversity commitment, we follow the mitigation hierarchy of study, avoid where possible, minimize any unavoidable impacts, restore any damage and provide offsets for any residual impacts, wherever necessary. We also conduct environmental baseline studies, and establish and implement biodiversity management plans for greenfield projects and significant expansions. Reclamation plans are in place at all mine operations, and we regularly monitor and measure their progress.

Metals

Moa Joint Venture (Moa JV)

Sherritt's commitment to protecting sensitive ecosystems is demonstrated in our respect for biodiversity across all operations. There are no species at risk near our Moa JV properties in Fort Saskatchewan, Canada, or in Moa, Cuba, but we remain conscious of the need to minimize any impacts to local ecologies around these sites. At the Moa operation, we are very aware of the proximity of the Alejandro de Humboldt National Park that is situated about 30 km east and inland from our operations. Part of the Park covers land that has been identified as nickel resources, but the Cuban government protects it as part of its National Protected Heritage System. Impact of earlier exploration in the area is being progressively remediated.

Ambatovy Joint Venture (Ambatovy)

Sherritt's biodiversity initiatives are particularly strong at Ambatovy in Madagascar, a country well known for its rich biodiversity. Ambatovy has adopted a structured approach to ensuring its operations result in "no net loss" in biodiversity, and preferably a net gain. Ambatovy has developed a new biodiversity action plan, aimed at ensuring that Ambatovy meets its biodiversity goals in alignment with the International Finance Corporation (IFC) Performance Standards. Ambatovy has championed novel approaches to ensure a much greater understanding of its environment.

To limit impacts to fauna during clearing operations at the mine site, Ambatovy continued to implement and evaluate the paced directional-clearing method. The direction of clearing is predetermined and plotted on maps, which clearing contractors are required to follow. Markers are set out to limit and manage the direction and speed of cutting in the clearing zone. By the end of 2013, almost 770 ha had been cleared at the mine site, and monitoring continues to indicate that the method is having the desired effect on endemic species.

To ensure environmental issues are managed appropriately in Madagascar, Ambatovy follows several significant international guidelines and standards, including those established by the IFC, the Equator Principles, the Business and Biodiversity Offsets Programme (BBOP) and the principles of the International Council on Mining and Metals. This is in addition to the Malagasy environmental policies, regulations and programs under the country's decree on compatibility of investments with the environment (in French, this is known as the MECIE decree).

Ambatovy continued to support the protection of over 26,000 ha of forests and wetlands, located both on and off site.¹ Ambatovy's conservation efforts span an area that is almost 15 times the size of the mine footprint. The conservation gains at these sites are offsetting the residual biodiversity losses caused by the mine footprint, so as to achieve Ambatovy's goal of no net loss, and preferably a net gain, in biodiversity.

Business and Biodiversity Offsets Programme (BBOP)

Ambatovy participates in the BBOP to ensure that any losses of biodiversity are offset through the conservation of comparable habitat. Launched in 2004, the BBOP is an international partnership of conservation organizations, scientists, corporations and governments that aims to be the world standard-bearer for biodiversity offsetting.

In 2006, Ambatovy became a BBOP pilot project, and we currently align our offsets vision and design to the guidelines provided by the BBOP Secretariat and Advisory Committee. Ambatovy contributed to the development of an international BBOP standard on biodiversity offsetting.

The Ambatovy offsets program includes the 6,800 ha Ankerana Forest, plus the mine conservation forest and site offsets. These forest blocks provide a total combined area of over 10,000 ha of newly protected land. This area is almost six times the mine footprint area and over four times the approximately 2,400 ha of total disturbed forest land that aims to be reclaimed after operations are complete. The small amount of land that is not reclaimed represents the area occupied by legacy infrastructure, such as roads that will remain for the beneficial use of the communities. The total result is a net gain of conserved land.

The final report from the external organization evaluating Ambatovy's compliance with the IFC Performance Standards on biodiversity and the BBOP standards was finalized in 2013. Ambatovy is working to align its activities according to the recommendations made in this report.

Torotorofotsy Wetland – Ramsar Site

Ambatovy continues to actively support a process to halt further conversion of a wetland for agriculture. The Torotorofotsy Wetlands is a 9,000 ha wetland and forest area that lies immediately to the east of the mine site. It has been classified as a wetland of international importance under the Ramsar Convention on Wetlands and placed under the management of a Malagasy non-governmental organization (NGO). Ambatovy works with the Government of Madagascar, the NGO that manages the site and other stakeholders to provide assistance to manage the area. Since 2009, we have supported the development of a management plan, biological inventories and hydrological studies.

Also near the mine, Ambatovy is supporting the establishment of the Analamay-Mantadia Forest Corridor (AMFC), a proposed new protected area linking the mine forests to the nearby Mantadia National Park and the southern end of the Ankeniheny-Zahamena Forest Corridor. Formal protection of this corridor, spanning approximately 8,000 ha in size, will result in the creation of one of the largest continuous tracts of protected forest in Madagascar. Ambatovy continues to support the process to get the AMFC protected.

Natural Resources Management

Ambatovy supports six local forest management community associations that have been taking the lead in the sustainable management of natural resources in the conservation area around the mine site. In 2010, Ambatovy and the local forestry service helped to form these associations in an effort to reduce pressure on the conservation forests. Since then, the JV has been supporting these associations through management and leadership training, and by providing assistance through income-generating activities, such as improved agricultural techniques.

The vast majority of residents located near the mine conservation zone live in poverty. Ambatovy supports them through various alternative livelihood projects, to reduce illegal hunting and destructive agricultural practices. Association members have been involved in poultry and fish farming, in addition to growing plants that will be bought by Ambatovy for restoration purposes. Ambatovy also supports association members through monthly meetings held to resolve issues they encounter and to discuss forward-looking planning and opportunities.

Species Conservation

Ambatovy works with reputable international organizations to promote fauna conservation in its areas of operation. In 2013, Ambatovy completed two series of health assessments on 72 lemurs around the mine site. The assessments were done in collaboration with the Duke Lemur Center and the Columbus Zoo, which also assisted in fitting lemurs with radio collars for long-term monitoring.

The results, which indicated that the majority of lemurs captured were in good health, will be used to document lemur health and population trends as mining progresses. During their mission to Madagascar, the Duke Lemur Center and the Columbus Zoo provided training and capacity building for Ambatovy staff as well as training for students from the University of Antananarivo's Faculty of Veterinary Medicine. Their next mission took place in early 2014.

At Ambatovy, an overarching biodiversity program is in place to provide general guidance, and specific programs have been developed for those species of particular concern.

Specific initiatives include:

- Programs to collect and relocate mantella frogs from the mining area and to breed them in captivity.
- Monitoring of the fish populations in the mine area to confirm that all species are found outside Ambatovy's zone of impact.
- Partnering with a Malagasy national NGO focused on bird conservation to minimize further degradation of the Torotorofotsy Wetlands through a number of initiatives, including mapping existing cultivated areas within the protected area, biological and hydrological studies, and public awareness campaigns.
- Construction of a research nursery, an industrial nursery for the production of reclamation seedlings and an arboretum for demonstrating restoration efforts was completed and the complex is now fully functional. It will provide both a supply of endemic plants and scientific information for use during progressive restoration of the mine site in the future.

Ambatovy continues to work with France's Institute for Research and Development to identify the role of mycorrhizal (natural fungi occurring in the soil which are often critical for successful plant growth), which may increase resistance to drought and disease.

More information on biodiversity at Ambatovy may be found on the Ambatovy website, under the Sustainability tab.

Watch a short video to discover more about the Ambatovy team's commitment to environmental protection.

Coal²

The Coal Division has many years of experience in reclaiming its mine sites, and has continually improved and adapted reclamation activities to meet changing management and regulatory expectations. For example, in 2010, the Coal Valley mine started trials that focus on ecosite and ecosystem (biodiversity) development. This trial work has continued and includes the establishment of woody shrubs and the ingress of native plants for the development of plant communities beneath successfully treed sites.

Coal consults with experts to ensure that reclamation programs for such things as wetland planning are effective. Coal continues to be part of a leading group of industry and government representatives on an initiative to contribute to the recovery of the native Athabasca rainbow trout population in Alberta.

1. These are current best-estimates that are liable to change. For example, since our 2012 Sustainability Report, this estimate has increased by 1,000 ha following an extensive survey of the Torotorofotsy wetlands, an area that is now estimated to be 10,000 ha rather than 9,000 ha.

2. In late 2013, Sherritt announced the sale of its Coal business. See Significant Changes section for information.

Scientific Consultative Committee at Ambatovy

The Ambatovy JV continued to benefit from advice from the Scientific Consultative Committee (SCC), an independent body of 16 national and international scientists renowned for their expertise in biodiversity. Half of these experts are Malagasy, and the other half come from eight different countries. The SCC has been monitoring and providing recommendations to Ambatovy since 2009. The positive actions of this Committee include the invitation of social-science experts to Committee meetings to discuss sustainability more broadly.



Land

Sherritt recognizes that the land entrusted to it is a valuable and irreplaceable resource. We work with authorities and other organizations to leave a positive impact, as demonstrated by our record of reclamation and remediation over the years.

Metals

Moa Joint Venture (Moa JV)

The Moa JV operation in Cuba has a plan in place to continuously reclaim and reforest mined areas, while ensuring the nickel resource available for future mining remains accessible. To make sure this is done correctly, the Moa JV works with the Cuban Environmental Inspection and Control Center, the regulator in Cuba responsible for environmental matters. Since the formation of the Moa JV in 1994, 553 ha of mined area has been reclaimed (a total of 81%) from a total of 679 ha that has been disturbed by mining activities. We are proud of this success. Furthermore, the Cuban government has formally recognized the Moa JV for its use of native species and modern technology in reclamation.

The Moa JV operation reports regularly to Cuban environmental authorities and did not record any significant environmental incidents in 2013. As part of the Moa JV's proactive effort to minimize future potential incidents, containment systems around acid storage tanks on site and at the Port of Moa are being improved and strengthened.

The Fort Saskatchewan site continues to manage land issues within its government-approved operating permit. Included within the site's operating approval are soil management practices and planning guidelines agreed to with Alberta Environment and Sustainable Resource Development. The Fort Saskatchewan site has an ongoing program to manage material legacy issues before the end of the facility's life. The site had no significant environmental releases in 2013.

Ambatovy Joint Venture (Ambatovy)

Quarterly pipeline erosion survey reports continue to influence management of the right-of-way (ROW) access road along the slurry pipeline. Findings show that the number of active erosion points decreased from 57 at the end of 2012 to 47 at the end of 2013.

Restoration activities are scheduled to begin at Ambatovy in 2015, when some of the waste dump areas where mine overburden is being placed will reach their design topography. Throughout the life of the mine, restoration activities will be conducted as mining activities are completed.

Coal¹

In 2013, at our wholly owned mines, we levelled and contoured 1,019 ha of formerly mined land and completed (topsoiled) 692 ha of land.

By the end of 2013, our operations had completed reclamation activities on an average of 69% of the total area disturbed since production began, about the same as reported last year. We recently revisited methodologies for surveying and verifying reclaimed areas. The new methodology appears to have resulted in greater consistency in total reclamation achievement from year to year. These data are shown in the Performance section of this report.

Oil and Gas and Power

In Cuba, Sherritt's Oil and Gas Division routinely mitigates any impacts of oil exploration and recovery activities when operations have ended. Drill sites are cleaned and topsoil is replaced, and the land is returned to conditions similar to those present before drilling commenced. When this work is completed, the land is returned to the Cuban state in accordance with the requirements laid out in the operating permits.

1. In late 2013, Sherritt announced the sale of its Coal business. See Significant Changes section for information.

Water

Water is central to Sherritt's metallurgical process for producing nickel, and we manage it carefully. Where possible, process water is recycled or reused within the process itself. Runoff is controlled through diversions and catchments to minimize any release to the environment. For each operation, we conduct baseline studies, assess risks, and engage stakeholders to inform water-management planning.

Our approach to water management varies across our operations, based on technical requirements, local climate, water bodies and stakeholder interests. Building on the range of water-management practices and initiatives in place, we are working towards the development of a corporate water standard that will apply across all divisions.

At the end of October 2013, a water containment pond at the Coal Division's Obed Mountain mine breached, resulting in a significant release of water mixed with clay, mud, shale and coal particles into nearby creeks and the Athabasca River. For additional information on the incident and our response efforts, please visit www.obed.ca.

Metals

Moa Joint Venture (Moa JV)

The Moa JV Fort Saskatchewan site operates its water management systems in accordance with its operating approval from Alberta Environment and Sustainable Resource Development. All effluent water from the site, including precipitation from the developed plant area, is collected and treated on site before being discharged to the Capital Region Wastewater Management Facility. The Moa JV also works on water issues co-operatively with other industrial operations through the Northeast Capital Industrial Association, a local industry association that promotes sustainable industrial growth and quality of life through environmental, socio-economic and public safety programs.

The Moa JV operation in Cuba maximizes the recovery of water and recycles it for reuse in the process. A number of projects to recover water and minimize discharge to the environment have been completed or are ongoing, including a program to treat the site's domestic wastewater discharges. Rainwater runoff is collected in a series of sedimentation ponds to control its flow into the local watershed. In addition, comprehensive erosion control measures are in place and erosion is being actively monitored.

Ambatovy Joint Venture (Ambatovy)

In Madagascar, water is extracted from the Mangoro River for use in mine operations, and from the Ivondro River for use in processing operations. In both cases, extraction rates are below 1% of the mean annual river flow and are expected to have a negligible effect on flows and water levels. At the mine, water is pumped into the ore preparation plant to transport slurried ore to the plant site via a pipeline, approximately 220 km in length. Storm water runoff is collected in three separate sedimentation ponds to prevent contamination of downstream water catchments.

Water runoff collection ponds and flow allowances are designed to meet the World Bank's suspended solids concentration threshold of 50 mg/l or less, based on a one-in-ten-year storm event. Hydrological studies during the environmental assessment determined that this method will properly control and maintain seasonal water flows off the mine site.

Coal¹

For the Coal Division, limited water is required for the majority of the operations. The main concern regarding water at most coal mines is controlling suspended solids in runoff to avoid impacts downstream. When the total amount of suspended solids exceeds the level allowed in operating permits, an official incident report must be sent to the authorities. In 2013, Coal had 44 environmental water incidents, the majority of which took place at the Mountain Operations (Coal Valley and Obed). To address this trend, a major new water-management action plan has been initiated, with several significant items completed.

The Mountain Operations use water in the coal cleaning process. As part of the process, the sites strive to minimize the amount of water taken from groundwater sources and maximize the amount of recycled water from the settling pond. At the Obed Mountain mine, one of the water containment ponds breached in 2013; visit www.obed.ca for information on the incident and our response.

At the Bienfait mine, which has a plant that produces activated carbon, process water that would normally be collected, treated for suspended solids and then released is now intercepted daily and diverted for use in the activated carbon production process.

Oil and Gas and Power

The Oil and Gas Division uses water to produce drilling mud for operations. Sea water and/or brackish water is generally used for this purpose. The rigs have continuously circulating mud systems on the surface to reduce the amount of water needed to maintain the system. The drilling of a well typically requires between 8,000 and 15,000 m³ of water. At the completion of drilling, all mud is collected and sent to a regulated site for land farming, where it is allowed to dry and is progressively blended with soil or organic matter to produce safe, useable soil. Oil and Gas has 19 groundwater monitoring wells located throughout its areas of operation to identify impacts to the environment.

The Power Division primarily uses municipal water for sanitary and cleaning purposes at its different gas plants. In addition, the Varadero facility uses a closed-circuit process containing sea water for cooling the steam from the combined-cycle steam generator. An early-warning system has been installed there; it consists of seven wells that monitor groundwater for any contamination from the sea water in the event of a leak. There are also five monitoring wells located between the Varadero facility and an oil-storage facility nearby to monitor contaminants.

The Energas Boca de Jaruco site has eight monitoring wells (one is located within the facility and the others around it), and Puerto Escondido has two monitoring wells. These wells are used to monitor any contaminants that may migrate through or onto site property. Monthly observations are carried out in each facility and its surrounding area.

1. In late 2013, Sherritt announced the sale of its Coal business. See Significant Changes section for information.

Water containment pond breach at Obed Mountain mine

In 2013, a breach of an on-site water containment pond occurred at the Obed Mountain mine. The breach released approximately 670,000 m³ of water, mixed with clay, mud, shale and coal particles. The water made its way into a creek system that runs for approximately 25 km before entering the Athabasca River. Extensive testing found there to be no threat to human health from use of the river water. Monitoring of fish habitat is ongoing. The immediate area in a creek near the mine had physical disturbance, including impact to fish habitat.

Upon learning of the breach, Sherritt immediately notified the appropriate provincial and federal authorities and engaged regularly with municipalities and Aboriginal communities to ensure that they had timely and accurate information. Sherritt continues to work in full co-operation with the regulator to develop short- and long-term plans for remediation and mine water management going forward. Although Sherritt announced it closed the sale of its Coal operations in April of 2014, it retains the environmental remediation and financial obligation associated with this event. Sherritt is working with the Alberta regulator and is committed to complying with the environmental protection order issued in November 2013.



Energy and Climate Change

Climate change has become an increasingly high-profile issue for many extractive industry stakeholders in recent years. As an emitter of greenhouse gases (GHGs), Sherritt is responsive to emissions legislation and regulatory changes. We establish baselines for energy use and GHG emissions at most current operations and put in place appropriate management systems to evaluate performance. We also conduct vulnerability analyses of existing and planned infrastructure to identify potential risks related to a changing climate.

Like many large industrial companies, Sherritt is affected by legislation associated with GHG reduction. Alberta has implemented a regulation that is applicable to large GHG emitters in the province. Currently, Metals' Fort Saskatchewan refinery and one Coal mine are subject to this regulation. This report includes GHG emission results for our Canadian and international operations. Emissions at our Oil and Gas operations in Cuba are expected to become available in the near future. Our emissions by operation are included in the Performance section.

Costs incurred by Sherritt in relation to compliance with emission targets in some jurisdictions may be partially offset by benefits from initiatives elsewhere in the Corporation. Examples of these could include proper engine maintenance to minimize fuel use or Power projects in Cuba leading to emission reduction and/or emission reduction credits.

More information on GHG emissions, as they pertain to Sherritt, may be found on page 86 of our 2013 Annual Information Form.

Metals

Moa Joint Venture (Moa JV)

At both Moa JV sites, environmental departments monitor emissions to ensure compliance with the operating approvals and standards issued by the appropriate government authorities. Both sites employ maintenance programs to ensure equipment is performing within manufactured or engineered specifications, in order to minimize GHG emissions.

The Moa JV operation in Cuba produces GHGs and other emissions primarily in two areas. The first source is caused by the operation of mine haul trucks and other mobile mining equipment. The second primarily results from the production of steam and hydrogen for plant operations. A significant portion of the carbon dioxide from hydrogen production is diverted for shipment by pipeline to a nearby nickel producer for use in its process.

The Fort Saskatchewan site reports GHG emissions under the reporting regulations of both Alberta Environment and Sustainable Resource Development and Environment Canada. (It should be noted that these regulations identify some types of GHG emissions that companies are not required to report, specifically industrial process emissions not subject to GHG emissions reduction. The Performance section of this report includes both types of GHG emissions – separately identifying industrial process emissions – to provide a figure for total GHG emissions for the site.)

For the 2013 compliance period in Alberta, reportable GHG emissions at the Fort Saskatchewan site were 44,437 tonnes of carbon-dioxide equivalent over the provincial government's targeted 12% reduction level. A purchase of 44,437 credits, for a total cost of \$666,555, from the Climate Change and Emissions Management Fund was required to meet compliance requirements. It is anticipated that the Fort Saskatchewan site will continue to comply with this regulation by contributing to the Fund for the next several years, as it reviews practical and economic alternatives to reduce GHG emissions.

In 2013, 15,836 tonnes of industrial carbon dioxide supplied from the Fort Saskatchewan site were converted to a liquid carbon dioxide product for use in the oil-field service industry. This gas is part of our industrial process emissions, so this conversion does not reduce reported GHG emissions for federal and provincial regulators.

Ambatovy Joint Venture (Ambatovy)

Many of the facilities at Ambatovy were designed and built with energy management and reduced GHG emissions in mind. The single most significant initiative in this regard is the slurry pipeline that has an annual capacity to transport 6 million

tonnes of ore. At approximately 220 km in length, the pipeline runs from the mine site in the mountains to the plant site on the coast. Gravity transports the slurry from those two points, which are separated by a 1,000 m drop in elevation. The pipeline will not only reduce the cost of ore transportation requirements, but it will also minimize Ambatovy's carbon footprint through avoided diesel emissions from the truck or rail alternative.

As Ambatovy ramps up its facilities, overall carbon emissions are expected to approach levels set under Ambatovy's government-approved Environmental and Social Management Plan. The ramp-up of nickel and cobalt production required a temporary increase in fossil-fired electricity production, which resulted in higher carbon dioxide emissions. GHG emissions have increased in each of the three years since data have been reported, as operations continued to ramp up towards capacity. Ambatovy continues to address climate change by exploring additional ways in which it can reduce energy consumption and improve energy efficiency.

Coal¹

Total GHG emissions at Coal in 2013 were close to those recorded in 2012. For the 2013 compliance period in Alberta, the Coal Valley mine was still the only Sherritt Coal operation to exceed the 100,000-tonne emissions threshold established under the Alberta regulation. The mine was 31,831 tonnes above target, primarily due to increasingly long haul distances and greater coal consumption in the preparation plant dryer. The Coal Valley mine met compliance levels by purchasing 31,831 Fund credits for a total cost of \$477,465.

In Saskatchewan, Coal operates the Poplar River, Boundary Dam and Bienfait coal mines, as well as a Char plant and an Activated Carbon plant at Bienfait. The successful passage of proposed Saskatchewan GHG emissions legislation would likely impact Coal operations at the Boundary Dam and Bienfait mines.

Oil and Gas and Power

Emissions data for our Oil and Gas operations in Cuba are not available, but such information is expected to be available in the near future.

The Power Division installed a generating unit that uses waste exhaust heat to generate steam and produce electricity (called a combined cycle generating unit) at its Varadero facility in 2003. In 2007, this combined cycle unit was granted Clean Development Mechanism (CDM) status under the provisions of the Kyoto Protocol by the United Nations Framework Convention on Climate Change (UNFCCC). The Energas Varadero Combined Cycle Project produces lower GHG emission for each GWh of electricity, reducing overall emission in the country. By the end of 2013, over 340,000 credits had been issued for this project. There were approximately 840,000 credits either reported or awaiting verification at the end of 2013 plus about 340,000 more recorded but not yet submitted. Credits not submitted will be processed after the previously submitted backlog has been cleared through the UNFCCC system. A summary of CDM credits issued – and estimates for those not yet issued by the end of 2013 – can be found in the Performance section of this report.

The first Energas CDM project at Varadero was approved to receive credits over a seven-year monitoring period. In order to continue receiving credits under the program, Energas must apply to the UNFCCC for renewal. A decision on whether to proceed with this renewal will be made on the basis of current economics, revised processes and any issues encountered in the registration of the Boca de Jaruco Combined Cycle Project.

1. In late 2013, Sherritt announced the sale of its Coal business. See Significant Changes section for information.

GHG emission reduction

The Power Division is developing a second combined cycle unit at the Energas Boca de Jaruco facility in Cuba. The Boca de Jaruco Combined Cycle Project will further reduce the level of GHG emissions in Cuba through the use of waste exhaust heat to generate electricity. An application is being prepared for submission to the UNFCCC for consideration under the CDM process. CDM accreditation will allow CDM offset credits to be issued to the Energas Joint Venture for emission reductions. We will continue working with our Energas partners to assemble the required information to allow this application to proceed.



Air

Sherritt is conscious of the potential impacts that its operations may have on the surrounding atmosphere. We take great care to ensure that all applicable air quality regulations are properly followed. We do this not just to comply with operating permits and regulations, but also to make sure that there are no negative impacts to local stakeholders due to reduced air quality.

Metals

Moa Joint Venture (Moa JV)

The Moa JV operation in Cuba had no significant air release events in 2013. Air monitoring at Moa Nickel includes monitoring of sulphur dioxide (SO₂), carbon monoxide, ammonia (NH₃), hydrogen sulphide and particulate matter (PM) concentrations at the plant and the perimeter. This monitoring is primarily focused on the quantification of stationary source emissions.

The Fort Saskatchewan site had no significant air release events in 2013. The on-site air emission monitoring program includes stack emissions for NH₃, sulphur oxides (SO_x) and PM. The site is involved in regional airshed monitoring activities through membership in the Fort Air Partnership both financially, through its dues payable to the Northeast Capital Industrial Association, and by participating in the Fort Air Partnership Technical Working Group.

Sherritt continues to make progress towards reducing emissions associated with the operation of the Moa JV. Previous improvements to catalysts in both acid plants at the operation in Cuba reduced SO_x emissions by 50% in 2009. Gains made to date are expected to be maintained on an intensity basis by cleaning the catalyst during scheduled shutdowns, with 5% to 10% of it being replaced. Ongoing monitoring of acid-plant efficiency is conducted to confirm that the catalyst is working within operating parameters.

The refinery at Fort Saskatchewan is a hydrometallurgical plant that uses heat, pressure and chemistry to refine metal products. Some emissions, such as steam and greenhouse gases, are a normal result of this process. Other gases that are used or produced on site are controlled in systems designed to prevent their accidental release. The refinery is subject to certain emission limits, as per its operating approval from the Alberta government. In early 2014, Environment Canada recognized that the site is not a significant emitter of typical metallurgical plant contaminants, such as PM and SO₂, by exempting it from a new Base Metals Smelter Performance Agreement. Regulation will be consistent with that in the fertilizer sector.

Nitrogen oxide (NO_x) levels fluctuate over time, due to the cycle of maintenance activities. Levels of SO_x at both the Fort Saskatchewan refinery and our facilities in Moa experience a similar type of fluctuation, due to cycles in mechanical maintenance and on-stream timing. Results for 2013 were generally lower at the Fort Saskatchewan site. Historic data for the Moa operation is not currently available.

Ambatovy Joint Venture (Ambatovy)

The information below for Ambatovy is a summary only. More detail may be found at the Ambatovy website, under the Sustainability tab.

In Madagascar, air quality monitors have been installed within the perimeter of the mine and plant site and now provide continuous monitoring of the ambient air.¹

Ambatovy monitors environmental incidents and tracks them with an integrated reporting system. Root causes are analyzed and corrective and preventive measures are identified for each reported incident to avoid recurrence. Ambatovy is obliged to report material incidents in its annual report for Madagascar's National Environment Office (ONE). In 2013, there was one material air-related incident: a release of sulphur dioxide (SO₂) gas that occurred when a sulphuric acid plant was restarted after being off-line for repair. An area of approximately 150 m by 200 m of vegetation located outside the fence line was impacted and six households reported temporary discomfort. A procedure was put in place to help prevent reoccurrence of SO₂ releases during acid plant start-ups. Procedures to improve and accelerate communications with

regulators and the surrounding community have also been implemented in the event that incidents do occur.

Ambatovy adheres to its approved Social and Environmental Management Plan, which is based on international standards in environment, health and safety. Ambatovy continues to engage with national and regional authorities and the local community to keep them informed of the site's operating activities, and to seek their input as Ambatovy works to continuously improve its monitoring systems, procedures and safety controls.

Coal²

Coal's operations do not normally produce high levels of air emissions from coal use. The coal-drying operations at the Coal Valley and Obed Mountain mines and the operation of the Char and Activated Carbon plants at the Bienfait mine have resulted in reportable SOx emissions. Coal's large open-pit mining operations primarily produce dust rather than other emissions, and active dust-management practices are in place. Vehicle emissions from moving large volumes of material are minimized by the use of modern mining equipment and draglines. Emissions are also minimized through proper equipment maintenance, which ensures efficient operation.

Oil and Gas and Power

Oil and Gas and Power had no significant releases to air during 2013. Emissions of NOx and SOx from Power operations in Cuba for 2010, 2011 and 2012 were completely revised since the last report to correct a calculation error. The results indicate significantly higher levels and are included in the Performance section of this report. Reporting these data is not required for our Oil and Gas operations and the level of emissions is considered to be negligible.

1. Collection of emissions data comparable to that produced by the Moa JV and Coal is not part of Ambatovy's regulatory requirements.

2. In late 2013, Sherritt announced the sale of its Coal business. See Significant Changes section for information.

Ambatovy Industrial Risk Committee

At the Ambatovy JV plant site, our team in Madagascar led the establishment of an Industrial Risk Committee with other industries and local organizations to develop a community response plan in the event of major emergencies in the future.

The **United Nations Environmental Program (UNEP)**, the **Office for the Commission of Humanitarian Affairs (OCHA)** and the National Office for the Management of Disasters and Catastrophes worked with Ambatovy in 2013 to formalize the **UN Awareness and Preparedness of Emergencies at the Local Level (APELL)** program. A risk assessment was conducted and further work is expected in 2014 to formalize this program.



Waste Management

Waste is produced during any extractive operation. Machinery parts may wear out, engines are maintained and supplies are received in packaging. Sherritt is conscious of the need to reduce the waste that goes to landfill and ensures that all toxic substances are properly disposed of. We recycle whenever possible.

Metals

Moa Joint Venture (Moa JV)

The Moa JV has recycling programs in place that include scrap metal (about 2 tonnes in 2013), used oil (almost 170,000 litres in 2013), cans, paper, pallets and batteries. Non-hazardous recyclable materials, such as paper, wood and metal, are recovered and returned to community recycling processes. Batteries and oil are recycled through approved companies for safe conversion.

Ambatovy Joint Venture (Ambatovy)

In Madagascar, Ambatovy uses several channels for recycling materials. Over 1,600 m³ of plastic waste was sent to a local company in 2013 for conversion to marketable products for domestic and international customers. Approximately 4,100 m³ of used lumber was sent to local communities for use in furnishings for government buildings and schools. In addition to these reuse opportunities, vegetable oil, machine oil and lubricant and scrap metal is recycled and over 24,100 tonnes of fly-ash is reused to make cement. The Ambatovy Sustainability Report provides additional information on the management of waste materials.

Coal

In 2013, Coal recycled over 1,500 tonnes of metal and almost 900,000 litres of oil from vehicle maintenance. All waste materials are sent to the appropriate qualified facilities for disposal, and recyclable items are provided to municipal recycling programs, where available.

Oil and Gas and Power

Oil and Gas and Power have well-established programs for recycling waste materials, where possible. In 2013, almost 100 tonnes of metal (plus containers, metal tanks, and steel and aluminum bottles) were recycled through Cuban companies. Over 140,000 litres of used oil was collected in a central area and transferred to Cuba's national oil company for reprocessing. Other waste streams, such as water and domestic waste, are sent to approved Cuban landfill and sewage treatment facilities for safe disposal.



Engaging Stakeholders and Benefitting Communities

Sherritt's projects, operations and other business activities affect a diverse range of stakeholders. To succeed in the closely watched global natural resources sector, Sherritt must engage effectively and transparently with its stakeholders. A broad list of our stakeholders can be found here. Those most affected by our activities are the local communities near our sites. We are committed to working with them in a trusting, fair and respectful way to share the benefits of our presence, contribute to their quality of life, and support development opportunities that align with their needs.

[Learn more about Engaging Stakeholders and Benefitting Communities](#)



Stakeholder Engagement

We engage stakeholders early on and throughout the asset lifecycle; and build enduring relationships based on mutual trust, respect and transparency.

[Learn more about Stakeholder Engagement](#)



Transparency

We provide stakeholders with timely and accurate information on the impacts and benefits of our mining-related activities and management practices.

[Learn more about Transparency](#)



Community Benefits

We contribute to a lasting improvement in quality of life in the communities where we operate.

[Learn more about Community Benefits](#)

For 2013 performance data, see Stakeholder Indicators.

Management Approach

Sherritt's projects, operations and other business activities affect a diverse range of stakeholders. To succeed in the closely watched global natural resources sector, Sherritt must engage effectively and transparently with its stakeholders. A broad list of our stakeholders can be found here. Those most affected by our activities are the local communities near our sites. We are committed to working with them in a trusting, fair and respectful way to share the benefits of our presence, contribute to their quality of life, and support development opportunities that align with their needs.

Building on our history of successful partnerships and stakeholder relationships at our more mature operations, as well as the leading practices in place in Madagascar, we are developing a corporate-wide stakeholder engagement standard to ensure good and consistent practices across the Corporation. This standard describes the required steps to identify, understand and engage with our stakeholders and address their concerns, in order to maintain meaningful and productive relationships. It also outlines our mitigation hierarchy for any social impacts our activities may cause. Sherritt has revised its policy for engagement with indigenous peoples, including Aboriginal communities in Canada, to better align with applicable legal requirements, the Mining Association of Canada's Towards Sustainable Mining protocol on Aboriginal and Community Outreach, and international norms such as the International Finance Corporation Performance Standards.

Although our sustainability framework includes distinct commitments for stakeholder engagement and transparency, these two areas are, in practice, intertwined and mutually dependent.

Our commitment to transparency is about providing timely and accurate information on the impacts, benefits and associated risks of our mining-related activities and management practices. In addition to our annual sustainability report and regulated corporate disclosure, Sherritt adheres to recognized transparency standards and practices, including publishing payments to governments in nations that participate in the Extractive Industries Transparency Initiative (EITI) and reporting on Global Reporting Initiative indicators that are appropriate for our business.

We consult with local stakeholders around each of our sites to align our community investment initiatives with identified community development priorities. Community economic benefits from our projects and operations are optimized through local hiring and the evaluation and development of local supply options as part of our sourcing strategy.

Stakeholder Priorities

Commitment Area	Priority	2013 Progress
Stakeholder Engagement	<ul style="list-style-type: none"> • Align the enterprise-wide stakeholder engagement policy and management system with TSM's Aboriginal and Community Outreach protocol • Systematize engagement procedures and processes at all sites and offices • Ensure engagement at each site is carried out in a culturally appropriate way and is reflective of the social risk level 	<ul style="list-style-type: none"> • Implemented an Indigenous Relations Policy and Procedure • Drafted a Stakeholder Engagement Policy and additional guidance documents, in alignment with TSM requirements • Implemented a stakeholder information management system to systematically manage and interpret stakeholder data • Initiated proactive, responsive and systematic engagement of Aboriginal groups, governmental bodies and other stakeholders in response to the environmental incident at the Obed Mountain mine (www.obed.ca)
Transparency	<ul style="list-style-type: none"> • Prepare for impending implementation of the Government of Canada's requirements to publicly report payments to governments • Take a leadership role in supporting EITI in Madagascar • Improve alignment of external sustainability reporting with evolving Global Reporting Initiative guidelines and monitor other reporting developments and trends that may impact disclosure requirements and expectations 	<ul style="list-style-type: none"> • Submitted Sherritt's position on the impending transparency reporting requirements to government, and participated in related stakeholder roundtables • Participated in EITI Madagascar's Multi-Stakeholder Group and contributed to the 2011 reconciliation report • Increased alignment of Sherritt's Sustainability Report with the GRI G3.1 Guidelines

Community Benefits

- Integrate community investment into local and regional planning priorities at all sites
 - Develop an enterprise-wide shared value strategy to leverage local employment and procurement practices to enhance community benefits in culturally appropriate ways at all operations
 - Establish a major partnership for a common community development priority in multiple jurisdictions where Sherritt is active
 - Take a leadership role in the fight against HIV/AIDS in higher-risk operating locations
 - Undertake development programs that support women, children and other vulnerable stakeholder groups
 - Improve alignment of enterprise-wide requirements for social baseline studies with leading industry practice
 - Consulted with municipal and provincial authorities in Cuba to provide assistance where it was needed, including buses for public transit, air conditioning for hospitals, and freezers for schools and food handling facilities
 - Ambatovy completed over 60% of the construction of a new public marketplace in Toamasina
 - In 2013, more than half of Ambatovy's suppliers were from Madagascar and many had received training at Ambatovy's training centre
 - Implemented the revised Community Investment Policy and drafted a corporate strategy for partnerships with non-governmental organizations and major community investments
 - In 2013, over 1,000 people took advantage of voluntary HIV/AIDS screening on World AIDS Day and 200 local youth took peer-education training on HIV/AIDS through UNICEF
 - Partnered with UNICEF to protect children's safety and promote eco-friendly schools, and incubated a catering company run by women at Sulawesi
-

Stakeholder Engagement

Sherritt believes that effective stakeholder engagement across the Corporation is crucial to being a successful company in the natural resources sector. By undertaking a transparent, proactive, receptive and systems-based approach to identifying and engaging with stakeholders, we are able to establish a mutual understanding of one another's needs, wants and concerns. That perspective is a key input for making decisions and taking actions to support business objectives related to growth, risk management and operating efficiency.

Our stakeholders comprise all individuals and groups who have an interest in, or believe they may be affected by, decisions regarding the management of our projects, operations and other interests. A complete list of our stakeholders can be found here.

It is worth noting that Sherritt engages with a variety of non-governmental organizations (NGOs) through participation in the Devonshire Initiative, a collaborative problem-solving forum for leading international development NGOs and mining companies aimed at improving on-the-ground sustainable development outcomes.

Metals

Moa Joint Venture (Moa JV)

Sherritt's Fort Saskatchewan and Moa operations have been in existence for many years. During that time, the surrounding communities have worked with site management to forge strong and trusting relationships. In Fort Saskatchewan, Sherritt was one of the first major industrial companies in the area, almost 60 years ago, and has been a major force in the development of the community, in terms of providing direct and indirect employment as well as assistance to the construction, improvement and maintenance of many municipal facilities.

Similarly, in Moa, the Moa JV has been operating for nearly 20 years, and previous to this, the Moa operation had been in production for another 35 years. During that entire time, the City of Moa has grown to be a resource hub in the area. Relations between the City of Moa and plant management have developed concurrently. The Moa JV has participated in many projects to assist the municipality, and has even provided its specialized industrial equipment to support public infrastructure initiatives and hurricane recovery.

Our Havana office is in regular communication with authorities in the City of Moa, Holguin Province and the Government of Cuba, in order to align our community investment program with the identified priorities of the jurisdictions where we operate. This engagement also helps us to better understand the impacts of our operations on local populations.

Ambatovy Joint Venture (Ambatovy)

The information below for Ambatovy is a summary only. More detail can be found at the Ambatovy website, under the Sustainability tab.

Ambatovy fosters positive relationships with communities near operating sites and other external stakeholders through proactive engagement. These communities are critical to the operation's success, and every effort is made to ensure they are well informed about its activities.

Each year, Ambatovy engages with thousands of stakeholders, including local communities, civil society, government and regulatory bodies, media, the financial and business community, and its employees and contractors. These engagements were made during informational road shows along the pipeline and main highway, at Ambatovy's Information Centres in Moramanga and Toamasina, at public site visits, in group meetings, town halls and consultations, and at special question-and-answer sessions. Subjects for discussion included local hiring, community development, local business development, rice field rehabilitation, demobilization, community health and waste management.

In addition, Ambatovy conducted hundreds of meetings with local stakeholders, such as traditional leaders and village elders, mayors and leaders of the region, Malagasy NGOs, and the Local Consultative Committee and the Resettlement Committee, to maintain open communication and discuss collaboration opportunities.

During construction, Ambatovy archeologists carefully preserved objects of cultural significance. Over the course of its archeological work, Ambatovy identified around 5,000 objects (including pottery and stones) and 200 heritage sites. Ambatovy partnered with the University of Toamasina and the CEREL Museum (in French, Centre d'Études et de Recherches Ethnologiques et Linguistiques) to create a digital catalogue of the artifacts found. Ambatovy presented its archeological work at an international workshop-symposium and shared its findings with the Ministry of Culture and Heritage, and in early 2014 Ambatovy published a book on its work: *A Look at Cultural Heritage*.

In order to build the tailings facility safely, it was necessary to relocate just over a thousand people, creating the villages of Vohitrambato and Marovato. Following international good practice, Ambatovy worked with both the people being relocated and the host communities to ensure that the move would have the best chance to succeed. Careful, long-term measures were taken so that communities and individuals would receive proper compensation for income reduction or affected property. Ambatovy was pleased to hand over the land titles to the resettled population in Marovato in 2012, representing a key milestone in the resettlement process (as formal documentation of land tenure is a critical component of socio-economic development). Ambatovy continues to work on finalizing land titles for residents who relocated to the village of Vohitrambato and by the end of 2013 had finalized titles for 70% of the households.

In any major development such as Ambatovy, there will be instances of disagreement or situations where industrial activities harm someone's property. Ambatovy has worked hard to ensure that even the smallest property holder is not at a disadvantage. Ambatovy's comprehensive grievance mechanism, created in 2010, is modeled on guidance from leading practices to ensure complaints and concerns are understood and effectively responded to. In 2013, Ambatovy reported that the rate of complaint resolution increased to 67%, compared to 48% a year earlier.

Ambatovy has provided compensation to people impacted by its activities, to restore their livelihoods and standards of living, and to allow them to recoup their losses. Payments in cash and rice were made to people with rice paddies that were impacted by construction. Rehabilitation of rice paddies affected by sediment from up-slope construction activities continued, and 249 ha were rehabilitated last year.

Sulawesi Project¹

The nickel project in Indonesia is at a preliminary exploration stage, so the needs and opportunities for stakeholder engagement and transparency are different than they would be for an operating facility. Nevertheless, stakeholder engagement was established quite early on in the project lifecycle: although the exploration drilling program began in 2013, discussions in the communities had been taking place more than a year earlier.

Community engagement focused on raising awareness about the Project, its needs and its potential impacts. Through a participatory approach running over two months and 27 meetings, the Sulawesi Project and the community established two institutions around which to structure the Project's community engagement and communication going forward:

- Village committees: Each village in the Project region had a committee consisting of the village head, a female representative and a male representative. The village head was elected democratically through a government-controlled process. Other committee members were elected democratically through a Sulawesi Project-monitored process.
- Sub-district committee: This committee represented all the villages in the sub-district, consisting of one representative (elected by the village committee) from each village.

The committees facilitated and mediated communication between the Sulawesi Project and the village communities. They also acted as the entry point for the Project to discuss community development projects, allowing community participation before activities were formally planned or implemented.

The village and sub-district committees provided a forum for distributing information on the Project's activities and plans. Those plans included bringing the village committees to the exploration site so that they could see what exploration is and what impact it has on the environment.

Possible employment at the Sulawesi Project is expected to prompt in-migration from other regions, making it important to establish a clear understanding of employment selection. Committee consultations established criteria for local employment. Despite the limited skills available in the local community, the Project employed 132 persons, representing 100% of the local applicants who were physically able and suitably skilled to work in the exploration program.

In the event of disagreements, the Sulawesi Project implemented inquiry, complaints and grievance management procedures that included a series of structured steps. These procedures were widely publicized in nearby communities. A formal process for receiving, registering and processing inquiries and complaints was in place to ensure that both the Project and the inquiring party agreed on any corrective action before the matter was closed. Thanks in part to these initiatives, the Project completed the first exploration stage with no community complaints filed.

Coal²

Most of the Coal mines have been operating in Alberta and Saskatchewan for several decades, so for a long time, their presence and mining activities have been critical to the prosperity of the nearby communities. The Coal operations are so engrained in these communities that, in some cases, Coal employees are also the community leaders, serving in such roles as mayor or councillor in local governments. This deep-seated interdependence provides a unique understanding of the issues and needs of the communities as they evolve over time.

Coal regularly engages with its stakeholders on a range of social, economic and environmental issues of mutual concern. However, given its longstanding presence in many of its communities, interactions may consist of everything from formal meetings with the local government to relaxed discussions with informal leaders outside of the grocery store. We encourage all such forms of engagement to ensure that there is no hesitation, by either party, to raise an issue before it becomes a problem.

Following the water containment pond breach at the Obed Mountain mine (discussed in the Water section), Sherritt worked hard to establish and maintain open communication with Aboriginal groups, governments, communities and individuals that may have been affected. Our response was both to address the physical impact of the breach and to ensure that full information was provided as soon as possible through public meetings, written communication such as letters and e-mail, telephone and the establishment of a dedicated website to provide the latest information (www.obed.ca).

Coal has maintained a positive, largely informal relationship over the years with Aboriginal communities near operations. We continue to work on strengthening these relations by developing more formal and structured engagement programs to ensure these communities are properly consulted and represented in discussions relating to Coal's projects and operations.

Oil and Gas and Power

Engagement with Cuban stakeholders around our Oil and Gas and Power operations is an ongoing process. Regular communication is needed for: the coordination of drilling programs; the movement of natural gas and electricity; as well as ensuring that local communities are aware of Sherritt's activities. We also conduct regular consultations for Sherritt's community investment projects and maintain positive relationships with the government administrations in our areas of operation. In the past, we have provided assistance for hurricane recovery, and have been presented with certificates of appreciation for the work we do in the area.

1. In January 2014, Sherritt announced the termination of its involvement in the Sulawesi Project. See Significant Changes section for information.

2. In late 2013, Sherritt announced the sale of its Coal business. See Significant Changes section for information.

Benefits of stakeholder partnerships

A great deal of Sherritt's success in stakeholder relations is due to the formation of successful partnerships, both to operate our business and for community investment purposes. Sherritt was formed almost two decades ago on the basis of establishing a partnership to create and manage its Metals assets in Canada and Cuba; shortly afterward, Sherritt entered into a joint venture to produce and distribute energy in Cuba. In Canada, Coal has investment and operating partnerships. Ambatovy in Madagascar is a joint venture partnership, as was our nickel project in Indonesia. (More information about Sherritt's history can be found [here](#).)



Sherritt also enjoys positive relationships with a number of local, national and international organizations outside of the business environment. For instance, we have worked with the **World Wildlife Fund** in Cuba to help preserve wetlands and wildlife. We have a longstanding relationship with the **Northern Alberta Institute of Technology** for training in Cuba and, more recently, in Madagascar. We partner with the **Canadian Institute of Mining, Metallurgy and Petroleum** to annually present the Sherritt Hydrometallurgy Award to recognize significant contributions in the field of hydrometallurgy. In Madagascar, we partner with dozens of organizations – from the **United Nations Children's Fund** to **Conservation International** – to support our sustainability-related programs. We are involved in several other such partnerships in all of our operating jurisdictions. These partnerships allow Sherritt to bring in external expert knowledge and credibility to address specific challenges and opportunities at a very local level. In the process, these experts help build the capacity of local populations and other participants to manage these concerns with greater independence.

Transparency

As part of our commitment to transparency, we strive for continuous improvement in the disclosure of our annual sustainability reports, which we have been publishing for the past five years. Each year, the latest edition of this report is made available on our website, as is extensive information on the Corporation, its structure, organization and management, as well as its securities filings. The Ambatovy Joint Venture (Ambatovy) also publishes its own sustainability report on www.ambatovy.com. Sherritt has established policies on timely disclosure and confidentiality and foreign anti-corruption that assist in ensuring that our employees manage their external interactions ethically and lawfully. We strive to meet or exceed our required disclosures in all jurisdictions where we operate and adhere to recognized transparency standards and practices. This includes publishing payments to foreign governments in Extractive Industries Transparency Initiative (EITI) candidate countries and sustainability reporting in alignment with the Global Reporting Initiative.

In 2013, Sherritt was also an active industry stakeholder in the Government of Canada's external engagement activities for the drafting of a new regulation that will require extractive sector companies in Canada to publish payments they make to all levels of governments, both nationally and internationally, starting in 2015. In principle, Sherritt is supportive of this impending regulation, which is still being drafted.

Sherritt also supports the EITI through Ambatovy. Much like the Government of Canada's above-mentioned initiative, the EITI – which is supported by a coalition of governments, companies, civil society groups, financial institutions and investors – aims to improve the transparency and accountability of all payments made by companies in extractive industries to governments. There are two core elements to the EITI:

- **Transparency:** Oil, gas and mining companies disclose their payments to the government, and the government discloses its receipts. The figures are reconciled and published in annual EITI reports alongside contextual information about the extractive sector.
- **Accountability:** A multi-stakeholder group (MSG) with representatives from government, companies and civil society is established to oversee the process and communicate the findings of the EITI report.

Madagascar became an EITI candidate country in 2008 and to date has submitted reports to the EITI Board. Sherritt is fully supportive, and Ambatovy has taken an active role in the MSG in Madagascar to continuously improve reporting and build public awareness about transparency. Ambatovy participated in EITI Madagascar's 2011 Reconciliation Report, which was released in 2013. In 2011, the EITI Board suspended Madagascar's candidacy until the country returns to democratic rule. However, Madagascar continues to make meaningful progress on EITI implementation, and following recent internationally recognized democratic elections in the country, the EITI Board lifted the suspension of Madagascar's EITI candidacy.

Transparency reporting

Sherritt freely reports its payments to various levels of government in Madagascar, the only EITI candidate country in which we are operating. In Canada, extractive companies, along with civil society organizations and other stakeholders, have been participating in consultations with the Government of Canada on how to approach mandatory reporting on the transparency of payments to governments. Sherritt has actively participated in many of these discussions, and will continue to work as an advocate and thoughtful stakeholder with our industry and the Government on this matter.



Community Benefits

Sherritt recognizes that our license to operate and grow is inextricably linked to the acceptance and approval of our stakeholders, especially the local communities where we operate. We aim to ensure they can see a benefit from our presence. Generally, this will be economic, such as an employment opportunity or a supplier contract, but it can also take the form of community development, which considers broader social and environmental benefits. Sherritt believes that sharing the benefits of operations bolsters community acceptance, reduces social risks, helps to attract a talented workforce and may help to secure the resources needed to grow in the future.

We align our community investment (CI) programs with identified community development priorities at each site, through consultation with local stakeholders. Beginning in 2013, we revised our CI policy to include culture/heritage and biodiversity as separate focus areas in recognition of their growing importance and relevance to social license.

Communities near Sherritt's projects, operations and offices benefit economically from our presence. In 2013, Sherritt as a whole contributed over \$550 million to the economies of their local communities in the form of wages and benefits paid to our workforce.

In Madagascar, we have also invested significantly in programs to support local economic participation. Watch this short video to learn more about Ambatovy's "buy locally, hire locally" policy.

Metals

Moa Joint Venture (Moa JV)

Our operation in Fort Saskatchewan continues to source goods and services from regional businesses, and we paid almost \$2.6 million to the city and the region in taxes and fees in 2013.

We have also made donations to local youth organizations and educational institutions. A large number of our employees volunteer their time to activities such as children's sports, local governments, fire departments and other first responders, the collection and distribution of toys and goods during the holidays, local charities, and the organization of community events.

In Cuba, Sherritt consults with Cuban local authorities to offer assistance where it is most needed. We have provided the City of Moa with several buses to support public transit and have given funding to buy spare parts to keep the buses running. Their continued operation is a benefit to the community at large. We have also provided street lighting for public areas and hospitals, equipment to refurbish a community centre, materials for market gardens and freezers for local markets.

The Moa JV has always provided assistance with hurricane recovery when needed, helping with clean-up and providing equipment and supplies. There were no major hurricanes in 2013, but in the previous year, Cuba was severely affected by Hurricane Sandy, which had a significant impact on Santiago de Cuba, as well as the Moa area. Sherritt consulted with the government and provided \$250,000 worth of sanitation equipment to the city of Santiago de Cuba to assist with clean-up operations and the recovery effort. Although Moa was not quite as hard hit as Santiago de Cuba, Sherritt provided equipment valued at over \$150,000, including a front-end loader, sanitation equipment and construction materials to help with Hurricane Sandy clean-up. The Moa JV helped in the clean-up and in equipment repair required for the fabrication of clay pipes, used by the City of Moa for sewers and drains.

Ambatovy Joint Venture (Ambatovy)

The information below for Ambatovy is a summary only. More detail may be found at the Ambatovy website, under the Sustainability tab.

Ambatovy's comprehensive social development plan is aimed at achieving self-sustainability for the communities and an improved quality of life through vocational training, education and health initiatives, and agricultural support. The overarching goal is to build economic capacity and social structures that are independent of Ambatovy operations.

Health

Youth involvement is one of the cornerstones of the HIV/AIDS and sexually transmitted disease awareness campaigns that Ambatovy oversees in communities near its operations. In partnership with the United Nations Children's Fund (UNICEF), Ambatovy trained another 200 youth peer educators in life skills. Ambatovy has also completed construction of five new centres to give youth a place to exchange ideas with their peers. These youth-related initiatives are part of Ambatovy's zero tolerance programs established to protect children and to fight against children's sexual exploitation. All Ambatovy personnel, as well as contractors, support these programs.

Ambatovy worked with local authorities in Toamasina, a city by the plant site, and Moramanga, a town near the mine site, to improve sanitation and waste management as a means of improving public health. Ambatovy provided funding to support a temporary provision for waste collection and pre-collection activities beginning in late 2012, in collaboration with a local non-governmental organization (NGO). Delayed approvals prevented continuation in 2013, but this effort is expected to regain momentum in 2014.

Education

With UNICEF, the eco-friendly schools project teaches students how to use local products and innovative technology to build sustainable schools in their community. The construction of four eco-friendly schools was completed in 2013 and about 800 students began studying in them in 2014. Ambatovy also supports the School Success Contract Program, which teaches educators how to develop and implement participatory action plans in their schools in alignment with the Education for All Movement led by the United Nations Educational, Scientific and Cultural Organization.

Local Procurement

The Ambatovy Joint Venture is one of the largest customers for Malagasy businesses in the fields of transportation, construction, clothing, catering, supplies and materials. By the end of 2013, over half of its suppliers were from Madagascar (including local branches of international companies), involving payments worth hundreds of millions of dollars.

The Ambatovy Local Business Initiative (ALBI) is a key element in Ambatovy's "buy locally, hire locally" policy, providing an important impetus to the Malagasy economy and local entrepreneurs. Criteria for purchase decisions include local sourcing as well as price and quality. ALBI provides training and guidance to local suppliers to enable them to meet Ambatovy's standards and to do business with other potential customers as well. This assistance has led to the formation of new independent companies to provide goods and services to industry in Madagascar. In 2013, Ambatovy:

- Purchased more than 1,500,000 kg of local produce from three bulk purchasing centres that it helped establish in Toamasina and Moramanga.
- Bought over 9,000 uniforms from two sewing studios in Toamasina – 99% of staff are women.
- Received over 13,500 wooden pallets from three local suppliers in Toamasina and Moramanga. Ambatovy will buy approximately 50,000 pallets per year during the operation phase to transport its refined nickel and cobalt.
- Audited 155 suppliers, to identify their strengths and weaknesses and determine with them areas requiring additional training, in order to improve their alignment with Ambatovy's standards.

Local Capacity Building

In 2013, Ambatovy continued its program of agricultural training, providing instruction to over 6,800 people. With a local NGO, Ambatovy offered hands-on training to farmers to teach techniques that can help them achieve self-sufficiency.

Ambatovy also has a Business Training Centre, with guidance from the International Finance Corporation, to provide current and potential local suppliers with necessary skills in entrepreneurship, finance, quality control, and environment, health and safety practices, so that they are able to meet our procurement standards. Courses are free to contracting companies, individuals with a business plan and students with a valid student card.

Donations

In 2013, Ambatovy, along with nine other companies in Madagascar, was recognized by the United Nations and the Government of Madagascar for its commitment to providing emergency aid and disaster-relief assistance during the recent cyclone season.

Ambatovy supported the construction of a new health clinic, school classrooms and a soccer field in the village of Ampitambe, near the mine site. This work was completed in 2013. Ambatovy also has provided over US\$50,000 worth of agricultural equipment and supplies to six local farmers' associations since 2011.

Also in 2013, Ambatovy built a library in the town of Marozevo in eastern Madagascar, using funds raised by Sherritt employees in Toronto. With construction completed in 2013, Ambatovy staff joined members of the community for the library's inauguration ceremony.

At the end of 2013, Ambatovy had completed construction of 64% of a new marketplace for the City of Toamasina near the plant site. Inauguration is expected in the first half of 2014. The project has provided significant benefit to the local economy as 100% of the work is being done by local contractors, companies and personnel. It has also been a safety success with over 250,000 person hours completed with no recordable incident.

Demobilization

During 2013, Ambatovy continued its program to assist demobilized workers in finding other income-generating opportunities after Ambatovy's construction phase was complete. Ambatovy set up and managed Manpower Redeployment Offices (in French, BRMOs) in key towns and cities near our operations and offices, to help these workers identify and apply for other employment or business opportunities that match their skill set. The uptake of the BRMOs was impressive, with thousands of demobilized workers registering. Nearly 800 former construction workers were re-employed at Ambatovy in long-term positions as part of the BRMO process, and many others found jobs elsewhere or started their own businesses.

The Assistance Initiative for Demobilized Workers (in French, AIDE) program that was begun when demobilization had started was completed in 2013. This innovative program provided temporary financial assistance to demobilized workers who were making the transition to new opportunities. Between 2011 and 2013, almost 20,000 individuals from 200 companies benefitted from monthly payments averaging US\$23 over an average period of 11 months. Over the course of the program, Ambatovy distributed approximately US\$6.7 million in AIDE payments.

Sulawesi Project¹

In addition to providing employment opportunities to communities near the Project area in Indonesia, we endeavored to address issues regarding gender equality, such as culturally embedded gender roles, where men are the providers in the household and women look after the children and the home. Women would require written permission from their husband or a male family member to pursue employment with the Project. This made our efforts to provide employment, regardless of gender, quite challenging. In addition, most positions in exploration were linked to working in remote areas on a rotational basis, which would be difficult for local women to do.

One way that the Project was able to involve women without undermining cultural values was to establish an all-women catering group to supply meals for the logistics camp. To do this, women were trained on hygiene standards related to food preparation, and they developed weekly menus and budgets, purchased supplies, and established catering contracts. The cooking was done in the women's home kitchens, which allowed them to maintain their responsibilities as wives and mothers.

The Project also worked to preserve local languages that are in danger of extinction. A doctoral scholarship program was funded and established to focus on language and identity in the Project area. In addition, the Sulawesi Project encouraged and supported the publication of a dictionary in the local language, as the first step to preserving and promoting it.

Coal²

Coal operations paid over \$10.5 million in municipal and city taxes in Alberta and Saskatchewan in 2013 and provided hands-on assistance to local first responders in emergency situations.

In 2013, Coal contributed to the Foothills Recreation Management Association (FRMA), which manages 15 campgrounds and eight trail systems in the foothills area near the Coal Valley and Obed mines. The FRMA's campgrounds and trails are maintained by Fox Creek Development Corporation, an Aboriginal-owned-and-operated not-for-profit company committed to creating and maintaining jobs for Aboriginal people (treaty, non-treaty and Métis) in the Hinton area.

Coal was also engaged in discussions with Aboriginal groups near the Coal Valley mine site to develop economic participation and benefits programs in relation to a permitting process for an expansion project.

Oil and Gas and Power

In areas where our Oil and Gas and Power operations are located, Sherritt assisted with a range of community projects identified as priorities by local authorities. Cities such as Varadero, Cardenas and Santa Cruz have benefitted from thousands of streetlights provided by Sherritt in recent years, as well as basic civic maintenance equipment, such as asphalt compactors, weed and brush-clearing equipment, and machinery for maintaining sanitary sewers. We have supplied equipment for renovating schools and seniors' homes, air conditioning for hospitals, freezers for schools and daycares, as well as musical instruments for schools.

Corporate Office

Sherritt's corporate office uses the same education, health, biodiversity, culture/heritage and social categories to focus community investments. We have made many significant community investments in these areas, most recently to arts, education and health facilities. Such investments are chosen strategically in support of local operations and broader business objectives, or are based on a commitment to a cause. Some examples include:

- For several years, we have been purchasing carefully selected pieces of contemporary art by internationally recognized Cuban artists to form the Sherritt Collection. The collection is housed at the Art Gallery of Ontario as a lasting contribution of Cuba's world-class achievements in contemporary art.
- For most of Sherritt's history, we have supported Canada's National Ballet School (NBS) in its pursuit of excellence in dance and scholarship. Early on, Sherritt encouraged a partnership between Canada's NBS and Cuba's national ballet school in Havana to enable a sharing of cultures, skills and traditions between the countries. This initiative, as well as the art collection, underscores the shared values and common appreciation for culture that we have with our Cuban partners.
- In the past decade, Sherritt made a major donation to the Northern Alberta Institute of Technology for construction of the Centre for Millwright Technology, which has since trained a significant amount of our workforce.
- We are currently fulfilling a major commitment to the Fort Saskatchewan Community Hospital for the purchase of diagnostic equipment, and we donate funding to the Multiple Sclerosis Society of Canada to provide studentships for research into multiple sclerosis – two initiatives driven by employee interest.
- Sherritt proudly joined many other companies associated with the mining industry in an event in 2013 to raise funds for the SickKids Foundation, SickKids International and the B.C. Children's Hospital Foundation.

1. In January 2014, Sherritt announced the termination of its involvement in the Sulawesi Project. See Significant Changes section for information.

2. In late 2013, Sherritt announced the sale of its Coal business. See Significant Changes section for information.

Sherritt community investment

In 2013, the Corporation invested approximately \$1.6 million in community initiatives (excluding Ambatovy investments, which are detailed [here](#)). Social causes – including environmental, infrastructure and arts investments – were the Corporation's largest areas of investment, receiving almost \$1 million. Coal made significant contributions in Alberta and Saskatchewan to organizations such as the **United Way** and **Make-A-Wish Foundation**, as well as to Aboriginal communities. Health formed the second-largest investment area, including contributions to hospitals in Fort Saskatchewan and Calgary. The balance (just over \$200,000) went to various education, biodiversity and cultural initiatives. Sherritt presents an annual Prize in Mining Engineering at Queen's University to encourage academic excellence, and Coal sponsors scholarships at the University of Alberta and the University of Saskatchewan.





Performance

The data and tables in this section provide updates to key performance indicators and information. All data are based on a calendar year, and all references to currency are in Canadian dollars, unless otherwise noted.

Learn more about Corporate Indicators, Workplace Indicators, Ethics Indicators, Environment Indicators, Stakeholder Indicators, and Global Reporting Indicators



For more information about Sherritt's 2013 corporate performance, please see our 2013 Annual Report.

Corporate Indicators

P-1 Corporate Financial¹ and Operations Highlights

	2013	2012
Revenue (\$ millions)	448.5	475.2
Adjusted EBITDA (\$ millions)	216.7	341.7
Net Earnings (Loss) (\$ millions)	(660.3)	33.7
Nickel Produced (tonnes)	58,690	39,958
Cobalt Produced (tonnes)	5,402	4,285
Coal Produced (millions of tonnes)	24.5	34.9
Net Oil Production (boepd)	11,331	11,336
Electricity Generation (GWh)	1,767	1,884

NOTE: All volume measurements represent 100% of operations. No adjustment is made to reflect joint venture ownerships. (EBITDA: earnings before interest, taxes, depreciation and amortization. Boepd: barrels of oil equivalent per day. GWh: gigawatt hours.)

1. Revenues and Adjusted EBITDA exclude the financial results of Coal as a result of entering into agreements to sell the Coal operations in December 2013.

Workplace Indicators

W-1 Employee and Workforce Overview

Key Indicator	As at Dec. 31, 2013
Workforce (number of people)	
Canada	2,427
Cuba	2,275
Madagascar	3,368
Other Locations	19
Total Workforce	8,089
Contractors	
Canada	100
Cuba	34
Madagascar	6,228
Other Locations	3
Total Contractors	6,365
Total	14,454
Gender – Percentage of Total (excluding Contractors)	
Male	88%
Female	12%
Fatalities	
Sherritt Direct Staff	0
Contractor Staff	0

W-2 Safety Statistics

Lost Time Injury Index*	2013	2012	2011	2010	2009
Metals	0.49	0.77	0.00	0.26	0.55
Ambatovy	0.03	0.07	0.01	0.04	0.03
Coal	0.06	0.08	0.16	0.12	0.13
Oil and Gas	0.00	0.00	0.18	0.19	0.00
Power	0.14	0.35	0.21	0.39	0.39
Total*	0.11	0.17	0.05	0.07	0.07

* All data includes employees and contractor staff. Divisional data for previous years has been restated since the last report, resulting in some changes.

Total Recordable Injury Index*	2013	2012	2011	2010	2009
Metals	0.63	0.95	0.12	0.38	0.82
Ambatovy	0.22	0.29	0.30	0.26	0.21
Coal	0.58	0.21	0.16	0.32	0.34
Oil and Gas	0.20	0.21	1.24	0.74	0.67
Power	1.10	0.86	1.70	0.39	1.37
Total*	0.36	0.38	0.33	0.29	0.29

* All data includes employees and contractor staff. Divisional data for previous years has been restated since the last report, resulting in some changes.

W-3 Winners of the John T. Ryan Trophy for Coal Mines*

Mine	Year Awarded
Genesee mine	2013
Paintearth mine	2012
Sheerness mine**	2011
Genesee mine	2010
Sheerness mine	2009
Genesee and Paintearth mines	2008
Awarded to a non-Sherritt mine	2007
Genesee mine	2006
Paintearth mine	2005
Genesee and Sheerness mines	2004
Genesee and Paintearth mines	2003
Poplar River mine	2002
Sheerness mine	2001
Genesee mine	2000
Genesee and Paintearth mines	1999
Genesee and Paintearth mines	1998
Genesee, Sheerness and Paintearth mines	1997
Genesee mine	1996

* The John T. Ryan Trophy for Coal Mines is awarded annually by the Canadian Institute of Mining, Metallurgy and Petroleum to a coal mine (or mines) that achieve(s) the best safety performance in the Canadian coal sector during the previous year.

** Sheerness also received a John T. Ryan Special Award in 2011 for its exemplary safety record.

W-4 Employee Relations

Union Relations (Canadian operations)	2013
Number of collective bargaining agreements	6
Number of unionized employees	1,596
Percentage of employees covered by a collective bargaining agreement	
Canada	66%
Cuba*	>95%
Madagascar**	n/a
Number of strikes or lockouts exceeding one-week duration	
All locations	0
Awards for employee dependant scholarships (dollar amount)	\$444,000

* Employees in Cuba are represented by a union structure, but the degree of collective bargaining is not known.

** Employees at Ambatovy are represented by employee organizations that provide similar benefits to unions. There are no formal unions. An exact percentage is not available.

Ethics Indicators

Ethics

Anti-Corruption Training:

By the end of 2013, substantially all affected employees had received anti-corruption training. Plans are in place to provide annual refresher training and to ensure that affected new hires are trained as well.

Human Rights

Incidents of Discrimination:

Sherritt had no reported incidents of discrimination at its operations or offices during the year.

Child Labour:

Sherritt has no operations at risk for incidents of child labour. Ambatovy actively works to protect the rights of children through its Zero Tolerance Policy, which applies to both employees and contractors.

Security and Human Rights Risk Assessment:

In 2013, Sherritt facilitated the completion of a security and human rights risk assessment by subject-matter experts, at all of its operations.

Grievance Procedures:

Both Ambatovy and the Sulawesi Project¹ have established formal grievance procedures.

- Ambatovy reported 1,094 complaints of different degrees of seriousness, ranging from compensation to environmental concerns in 2013. Of these, 67% were resolved by year-end.
- The Sulawesi Project did not receive a formal grievance.

1. In January 2014, Sherritt announced the termination of its involvement in the Sulawesi Project. See Significant Changes section for information.

Environment Indicators

E-1 Environmental Incident Reports*

Key Indicator (number of reports filed in Canada for Canadian operations)	2013
Fort Saskatchewan ¹	
Air	2
Land	0
Water	0
Coal ²	
Air	0
Land	34
Water	44

* "Reported" shows the number of times reports were required due to an exceedance of our operating approvals.

1. Fort Saskatchewan had two air events that were reported to Alberta Environment and Sustainable Resource Development. These events were reported as incident notifications because both events had the potential to exceed operating approval limits. Both events resulted in completed corrective actions.

2. The following details describe events at Coal: Land – Most reports were due to minor spills of deleterious substances, which were contained and the materials recovered for disposal at a regulated facility. Water – Some of these reports are associated with the pond breach at the Obed Mountain mine while others were primarily due to higher levels of suspended solids in water discharged from mine sites.

E-2 Reclamation at the Moa Nickel Mine

(ha)	2013	2012	2011	2010	2009
Affected	91	55	46	46	48
Reclaimed	74	38	43	74	85

E-3 Reclamation at Coal's Mines¹

(ha)	2013	2012	2011	2010	2009
Levelled*	1,019	1,182	1,143	912	643
Completed**	692	1,098	992	501	694

* Levelled: the return to contour specified as the provincial standard, as outlined in mining licenses.

** Completed: levelled, contoured and topsoiled.

1. Excludes reclamation at Genesee and Highvale mines, which are not owned by Sherritt.

E-4 Sherritt Coal's Total Reclamation Achievement¹

Mine	Surface disturbed ² to Dec. 31, 2013	Approximate total reclaimed ^{2, 3}	
	Ha	Ha	Percent
Bienfait	2,498	1,485	59.5
Boundary Dam	9,443	7,591	80.4
Coal Valley	6,046	3,422	56.6
Obed Mountain	1,926	644	33.5
Paintearth	3,919	2,954	75.4
Poplar River	5,124	3,731	72.8
Sheerness	4,015	2,551	63.5
Gregg River ⁴	1,300	1,300	100.0
Total	34,270	23,680	69.1

1. Cumulative life of mine total.

2. Data revised from previous reports.

3. Completed: levelled, contoured and topsoiled.

4. The Gregg River mine ceased operation in 2000. Reclamation was completed in 2011.

E-5 Ambatovy JV Net Impact of Mining Activities in Forested Areas

Forest/Land Areas	Land to be used (ha)	Land to be reclaimed (ha)	Land to be conserved (ha)
Mine Footprint	1,800	1,800	0
Slurry Pipeline	600	600	0
Roads/Infrastructure	100	0	0
On-Site Mine Conservation Forest ¹	0	0	3,644
Ankerana Offset (BBOP area)	0	0	6,800
Subtotals	2,500	2,400	-100
Net Gain			10,344

1. Sherritt's definition of the Ambatovy JV's mine conservation forest includes only land within the Ambatovy JV land lease area. Additional protected land is under the control and protection of the Analamay-Mantadia Forest Corridor (AMFC) administration.

The AMFC is a forest area beside the Ambatovy JV mining lease area that includes forest to be strictly conserved. The Ambatovy JV and a major international non-government organization were instrumental (through funding and services) in initiating the process to acquire protected status and forest management for this area, but its administration will remain independent of the JV. The Ambatovy JV continues to work with partners in the conservation of the AMFC to ensure that there is a continuous protected forest area linking mine conservation forests and other conservation zones. The result will be one of the largest continuous tracts of protected forest in Madagascar. By securing protected status for this land, the Ambatovy JV has effectively increased the total net gain in conserved land.

These data exclude land conserved as the Torotorofotsy Wetlands, which are located near the mine site. The Ambatovy JV works with the Government of Madagascar, Malagasy non-governmental organizations, and other stakeholders to assist in managing the area, which has been classified under the Ramsar Convention on Wetlands.

For more information on our efforts in Madagascar relating to biodiversity, mitigation and rehabilitation, please visit the Ambatovy JV website.

E-6 Ambatovy JV Inventory of Species Protected

Full details on the Ambatovy JV's biodiversity programs are available on the Ambatovy JV website or in the Ambatovy JV Sustainability Report.

E-7 Greenhouse Gas Emissions by Operation¹

(tonnes of CO₂e)	2013	2012	2011	2010	2009
Metals					
Fort Saskatchewan industrial process emissions*	111,241	119,709	105,417	71,617	70,078
Fort Saskatchewan refinery**	258,009	256,079	238,895	223,433	239,280
Ambatovy JV total (mine, slurry pipeline, plant and port) ²	1,671,200	1,395,600	375,000	n/a	n/a
Coal					
Bienfait mine, Activated Carbon and Char plants	109,390	113,162	122,128	158,288 ³	126,647
Boundary Dam mine	45,968	49,489	51,156	50,083	50,314
Coal Valley mine	211,808	195,197	180,390	198,072	195,640
Genesee mine (100% basis)	48,481	46,805	48,995	55,056	48,642
Obed Mountain mine	6,847	20,794	43,435	41,329	18,043
Paintearth mine	36,014	30,195	27,106	31,250	26,375
Poplar River mine	21,090	21,171	25,736	20,877	20,369
Sheerness mine	28,273	27,569	29,197	29,504	25,880
Power ³	1,522,149	1,525,406	1,520,831	948,453	n/a
Total ⁴	4,070,470	3,801,176	2,768,286	1,827,962	821,268

* Industrial process emissions are those associated with such things as chemical reactions, which are not required as part of annual reporting to Alberta regulators.

** Emissions reported to Alberta regulators for compliance (total emissions less industrial process emissions).

1. Data are preliminary to regulatory reporting and may not agree with Environment Canada reports. Updates have been made to where appropriate to reflect final data.

2. Ambatovy JV greenhouse gas (GHG) levels increased in 2012 and 2013 due to commissioning and the start of operations. The 2012 figure is revised to correct a calculation error.

3. Data for Power has been revised for previous years to correct a formula error. Figure for 2010 excludes Varadero plant.

4. Oil and Gas Division and Moa operations GHG emissions data were not available for this report.

E-8 Offset Credits Purchased

Offset Credits Purchased (tonnes of CO₂e)	2013	2012	2011	2010	2009
Metals	44,437	35,588	16,267	20,120	37,915
Coal	31,831	27,065	16,830	28,020	7,782
Total	76,268	62,653	33,097	48,140	45,697

E-9 Carbon Credits Produced

(tonnes of CO₂e)	2013
Carbon credits from Energas in Cuba	
Clean Development Mechanism credits issued to Dec. 31, 2013	343,125
Reported (submitted for approval, not issued or awaiting verification)	838,475
Recorded but not yet submitted	340,881
Total recorded to Dec. 31, 2013	1,522,481

E-10 Air Emissions

Metals – Fort Saskatchewan

(tonnes)	2013	2012	2011	2010	2009
NOx	1,670	1,920	1,650	1,556	1,620
SOx	135	177	250	194	92
TPM	53	48	48	170	153

NOTE: Total site nitrogen oxide (NOx) and sulphur oxide (SOx) data will not match National Pollutant Release Inventory (NPRI) database because NOx and SOx data are below the applicable NPRI reporting threshold levels. Total particulate matter (TPM) decreased significantly after 2010, following process adjustments at the granulation plant, as per testing results.

Moa Nickel

(tonnes)	2013	2012	2011	2010	2009
NOx	286	n/a	n/a	n/a	n/a
SOx	13,407	14,497	16,334	15,776	15,038
TPM	n/a	n/a	n/a	n/a	n/a

NOTE: Moa Nickel now reports NOx as well as SOx. Only SOx was reported in the past.

Coal – All Locations

(tonnes)	2013	2012	2011	2010	2009
NOx	308	316	359	315	351
SOx	624	593	667	674	559
TPM	19,271	15,985	19,990	16,612	22,033

Power*

(tonnes)	2013	2012	2011	2010	2009
NOx	9,105	3,367	3,198	3,304	n/a
SOx	30,092	30,183	33,515	27,255	n/a

*Data for 2010–2012 revised from previous report to correct calculation errors.

Sherritt Total – All Locations Above*

(tonnes)	2013	2012	2011	2010	2009
NOx	11,366	5,603	5,207	5,175	1,971
SOx	44,258	45,450	50,766	43,899	15,689
TPM	19,328	16,033	20,038	16,782	22,186

*See footnote to Power for revision.

E-11 Waste Management Indicators

Indicator	2013	2012
Metal recycled (tonnes) – Canadian and Cuban sources	1,635	2,352
Oil recycled (litres) – Canadian, Moa and Ambatovy JV sources	1,435,605	1,350,472

Stakeholder Indicators

S-1 Local Employment Contribution

	2013	2012	2011	2010
Wages paid, including benefits at all operations (\$ millions)	557	500	442	430

S-2 Voluntary Community Investment

Sector	2013 (\$)	2012 (\$)	2011 (\$)	2010 (\$)
Education	92,589	606,412	680,625	815,587
Health	477,564	231,501	1,608,833	791,165
Biodiversity	8,690			
Culture & Heritage	103,338			
Social	918,049	1,069,124	402,062	187,620
Total*	1,600,229	1,907,037	2,691,521	1,794,372

* These totals exclude obligatory community investment and training costs.

S-3 Affiliations, Partnerships and Memberships in 2012

Sherritt is affiliated with a wide range of local, national and international organizations. Although we are proud of each of these associations, it is not practical to list them all here. Below is a list of our major affiliations, partnerships and memberships.

	Organization
Industry	Alberta Chamber of Resources
	Alberta Mine Safety Association
	Canadian Chamber of Commerce
	Canadian Clean Power Coalition
	Canadian Institute of Mining, Metallurgy and Petroleum
	Canadian Land Reclamation Association
	Coal Association of Canada
	Cobalt Development Institute

	Madagascar Business Association
	Chamber of Mines Madagascar
	Madagascar Industrial Association
	Nickel Institute
	Northeast Capital Industrial Association
	Prospectors & Developers Association of Canada
	Safe Saskatchewan
	Saskatchewan Mining Association
Other	Asity Madagascar (BirdLife in Madagascar)
	Business and Biodiversity Offsets Programme, Advisory Group
	CARE International
	Conservation International
	Devonshire Initiative
	Extractive Industries Transparency Initiative Multi- Stakeholder Group in Madagascar
	Human Network International
	Missouri Botanical Garden
	Population Services International
	United Nations Children's Fund
	Wildlife Conservation Society

GRI Index

Our adoption of GRI reporting is progressing well, but some indicators are not yet reported. Others are noted as not material to Sherritt.

Profile Disclosure	Description	Location
Strategy and Analysis		
1.1	Message from the President and Chief Executive Officer	CEO's Message
1.2	Key impacts, risks and opportunities	Approach (Sherritt sustainability framework, sustainability priorities, framework development) Key Sustainability Priorities Framework Development Materiality Governance Performance Annual Information Form, p. 89
Organizational Profile		
2.1	Organization name	About Sherritt
2.2	Primary brands, products and activities	About Sherritt Annual Information Form, p. 6 (Nickel and Cobalt), p. 32 (Oil and Gas), p. 49 (Power) and p. 53 (Coal)
2.3	Operational structure of the organization	About Sherritt Annual Information Form, p. 1, p. 6 (Nickel and Cobalt), p. 32 (Oil and Gas), p. 49 (Power) and p. 53 (Coal)
2.4	Location of organization's headquarters	About Sherritt
2.5	Countries where the organization operates	About Sherritt
2.6	Ownership and legal form	Annual Information Form, p. 1
2.7	Markets served	About Sherritt Annual Information Form, p. 2, p. 6 (Nickel and Cobalt), p. 35 (Oil and Gas), p. 49 (Power) and p. 55 (Coal)
2.8	Scale of the organization	About Sherritt Performance (Workplace Indicators) Annual Report Management's Discussion and Analysis
2.9	Significant changes during the reporting period	About This Report Annual Information Form, p. 3-5
2.10	Awards received	John T. Ryan Trophy – See Performance
Report Parameters		
3.1	Reporting period	About This Report
3.2	Date of most recent previous report	About This Report
3.3	Reporting cycle	About This Report Report is biennial, data annual
3.4	Contact point for questions	About Sherritt For sustainability: sustainability@sherritt.com For investor relations and financial questions: investor@sherritt.com

Profile Disclosure	Description	Location
3.5	Process for defining report content	Approach Materiality About This Report
3.6	Boundary of the report	About This Report
3.7	Limitations on the scope or boundary	Complete information is not yet available for some divisions. For example, GHG data for the Oil and Gas Division is not available for this report.
3.8	Reporting on joint ventures	About This Report
3.9	Data measurement techniques	Performance
3.10	Effect of re-statements of information	Performance Coal reclamation achievement has been recalculated using more current methodologies. See Environmental Responsibility – Land.
3.11	Significant changes from previous reporting periods	None
3.12	Table locating standard disclosures	GRI Index
3.13	External assurance	The report is not externally verified.
Governance, Commitments and Engagement		
4.1	Governance structure	Governance Annual Information Form, p. 111 Management Information Circular, p. 49 Sherritt's website
4.2	Board Chairman	Annual Information Form, p. 111 Sherritt's website
4.3	Independent Board members	Annual Information Form, p. 111 Sherritt's website
4.4	Stakeholder communication with Board	Management Information Circular, p. 56
4.5	Executive compensation	Management Information Circular, Compensation Discussion and Analysis, p. 62
4.6	Conflicts of interest	Management Information Circular, p. 49
4.7	Board qualifications and expertise	Management Information Circular, p. 38
4.8	Mission, values, codes of conduct and principles	Sherritt sustainability framework Key Sustainability Priorities Framework Development Sherritt's website
4.9	Board oversight of Sustainability	Governance
4.10	Board performance evaluation	Management Information Circular, p. 54
4.11	Application of precautionary approach or principle	Governance Annual Information Form, p. 89
4.12	External charters, principles, or initiatives	Operating Ethically Callout on EITI Human Rights Environmental Responsibility
4.13	Memberships in associations	Performance Table S-3, Affiliations, Partnerships and Memberships

Profile Disclosure	Description	Location
4.14	Stakeholder groups engaged	Performance Table S-3, Affiliations, Partnerships and Memberships About This Report Stakeholder Engagement
4.15	Identification of stakeholders	About This Report Stakeholder Engagement
4.16	Approaches to stakeholder engagement	About This Report Stakeholder Engagement Performance Table S-3, Affiliations, Partnerships and Memberships Materiality
4.17	Stakeholder topics and concerns	Materiality Stakeholder Engagement Management Approach Sections
Economic		
Management Approach – Economic		Performance Table P-1 Annual Information Form, Narrative Description of Business, p. 6 Engaging Stakeholders and Benefitting Communities
EC1	Direct economic value generated and distributed	Transparency Community Benefits Performance Tables P-1, S-1 and S-2 Annual Report (Financial Review)
EC2	Implications and opportunities due to climate change	Energy and Climate Change Performance Tables E-7, E-8 and E-9 Annual Information Form, p. 86
EC3	Defined benefit plan obligations	Annual Report (Financial Review)
EC4	Government financial assistance	Annual Report Management’s Discussion and Analysis, p. 155
EC6	Local spending for supplies	Engaging Stakeholders and Benefitting Communities – Management Approach Community Benefits
EC7	Local hiring	Rewarding Workplace Community Benefits
EC8	Public benefits	Community Benefits
EC9	Significant indirect economic impacts	Community Benefits
Environmental		
Management Approach – Environment		Environmental Responsibility Environmental Responsibility – Management Approach Annual Information Form, p. 84–88
EN1	Materials used by weight or volume	Not material to Sherritt
EN6	Energy-efficiency initiatives	Energy and Climate Change Annual Information Form, p. 84
EN9	Water sources significantly affected by use	Water
EN11	Areas of high biodiversity value	Biodiversity Performance Table E-5

Profile Disclosure	Description	Location
EN12	Impacts on biodiversity	Biodiversity Performance Table E-5
MM1	Land disturbed or rehabilitated	Biodiversity Performance Tables E-2, E-3, E-4 and E-5
EN13	Habitats protected or restored	Biodiversity Ambatovy JV website
EN14	Strategies for managing impacts on biodiversity	Environmental Responsibility – Management Approach Biodiversity
EN15	Species at risk	Performance Table E-6 http://www.ambatovy.com/_docs/?p=416
EN16	Direct and indirect greenhouse gas emissions	Performance Table E-7
EN18	Initiatives to reduce greenhouse gas emissions	Energy and Climate Change Performance Table E-9
EN19	Emissions of ozone-depleting substances by weight	Not material to Sherritt
EN20	NOx, SOx and other significant air emissions	Performance Table E-10
EN22	Total weight of waste by type and disposal method	Performance Table E-11
EN23	Total number and volume of significant spills	Performance Table E-1
EN26	Mitigation of environmental impacts of products	Energy and Climate Change Annual Information Form, p. 86
EN27	Products and packaging materials reclaimed	Not material to Sherritt
EN29	Significant environmental impacts of transporting products	Not material to Sherritt
Labour		
Management Approach – Labour		Safe and Rewarding Workplace – Management Approach Our Workforce Rewarding Workplace
LA1	Total workforce	Our Workforce Performance Table W-1
LA4	Collective bargaining agreements	Our Workforce Performance Tables W-1 and W-4
MM4	Number of strikes and lock-outs	Performance Table W-4
LA7	Rates of injury	Health and Safety Performance Table W-2
LA8	Health education and training	Community Benefits
LA10	Average hours of training provided	Training and Development
LA11	Skills management programs provided	Training and Development
LA13	Diversity of governance bodies	Performance Table W-1 Sherritt's website
Human Rights		
Management Approach – Human Rights		Operating Ethically – Management Approach Business Ethics Human Rights
HR4	Total incidents of discrimination	Performance (Ethics Indicators)

Profile Disclosure	Description	Location
HR6	Risk for child labour and prevention measures taken	Community Benefits Performance (Ethics Indicators) Ambatovy JV website

Society

Management Approach – Society		Engaging Stakeholders and Benefitting Communities – Management Approach Stakeholder Engagement Transparency Community Benefits
SO1	Community impacts	Community Benefits
MM7	Use of grievance mechanisms	Human Rights Stakeholder Engagement Performance (Ethics Indicators)
MM9	Resettlement	Stakeholder Engagement
SO3	Corruption training	Business Ethics Performance (Ethics Indicators)

Product Responsibility

Management Approach – Product Responsibility		Annual Information Form, p. 45
PR1	Health and safety impacts of products and services	Not material to Sherritt
PR2	Incidents of non-compliance regarding product health and safety impacts	Not material to Sherritt
PR3	Product information requirements	Not material to Sherritt
PR4	Non-compliance with information requirements	Not material to Sherritt
PR5	Customer satisfaction	Not material to Sherritt
PR6	Programs for marketing communications	Not material to Sherritt
PR7	Compliance with marketing communication regulations	Not material to Sherritt
PR8	Complaints regarding customer privacy and data	Not material to Sherritt
PR9	Significant fines for non-compliance regarding products	Not material to Sherritt

Glossary

Activated carbon – A form of highly porous carbon that can easily absorb gases, vapours and colloidal particles. It is made by the distillation of solid material that has a high carbon content, such as coal, wood and peat, followed by heating the resultant product to high temperatures with steam or CO₂.

AESRD – Alberta Environment and Sustainable Resource Development, a provincial government department responsible for environment and sustainable resource development.

BBOP – The Business and Biodiversity Offsets Programme is a defined program that provides for measureable conservation outcomes to offset significant or persistent adverse impacts of capital project development. The BBOP program is a partnership of companies, governments and civil society groups. The BBOP secretariat function is provided by Forest Trends and the Wildlife Conservation Society.

Biodiversity – The biological diversity in an environment as indicated by the number of different species of plants and animals.

Carbon credits – A calculated quantity representing either a reduction of carbon-dioxide equivalents (measured in tonnes of CO₂e) or an emission level below what is required under law. To be an effective credit, it must be verified under a recognized methodology and appropriately registered with a recognized third party.

CDM – The Clean Development Mechanism is provided in the Kyoto Protocol to enable companies to produce tradable registered carbon credits (called certified emission reductions, or CERs) through development of emission-reduction projects in developing countries.

Char – The product derived from heating lignite coal at high temperature in the absence of air. It is used to produce barbecue briquettes.

CO₂/CO₂e – The chemical formula for carbon dioxide. CO₂e signifies the carbon-dioxide equivalent of a greenhouse gas, using the global warming potential of each gas.

EITI – The Extractive Industries Transparency Initiative is a global standard that promotes revenue transparency and accountability in the natural resources sector.

Ha – Hectares; one hectare is equivalent to 10,000 square metres or 2.47 acres.

ICMM – The International Council on Mining and Metals, a global industry association that requires members to implement 10 sustainable development framework principles.

IFC – International Finance Corporation, a part of the World Bank Group, established in 1956 to promote sustainable private-sector investment in developing countries. The IFC has developed a series of performance standards on social and environmental sustainability that are often required for successful project financing.

ISO – The International Organization for Standardization, an organization that develops and publishes international standards.

LTI – The Lost Time Injury index is a standardized method that allows comparison of data among companies of different sizes. The total number of LTIs in a period is multiplied by 200,000 (the average number of hours in 100 years) and is then divided by the total number of exposure hours in the period.

NGO – A non-governmental organization is a legally constituted corporation that operates independently from government.

NOx – Nitrogen oxide emissions.

NPRI – The National Pollutant Release Inventory is Environment Canada's annual inventory of air, land and water emissions, disposals and transfers, as reported under current regulations.

OHSAS – The Occupational Health and Safety Assessment Series, an international occupational health and safety management system specification created by a team of world national standards bodies, certification bodies and specialist consultancies.

ONE – In French, Office National pour l'Environnement, Madagascar's National Environment Office, which is a regulatory body.

PM – Particulate matter (commonly airborne dust), which is measured at different levels, often by particle size.

SOx – Sulphur oxide emissions.

TPM – Total particulate matter, which includes all sizes of particles.

GHG – Greenhouse gas can be any of the six commonly used gases that are known to have the potential to add to global warming. These are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆). Some of these have subcategories. Each GHG has a global warming potential (GWP) in relation to CO₂.

GRI – The Global Reporting Initiative, a standard for sustainability reporting.

GW – A gigawatt is a standard unit of measure for electricity, equivalent to one million kilowatts.

GWP – The global warming potential is an index that compares the relative potential of the greenhouse gases to contribute to global warming over 100 years. Global warming is a result of the additional heat/energy that is retained in the Earth's ecosystem through the release of these gases into the atmosphere. The additional heat/energy impact of all other greenhouse gases are compared with the impacts of carbon dioxide (CO₂) and are referred to in terms of a CO₂ equivalent (CO₂e). Carbon dioxide has been designated a GWP of 1, methane has a GWP of 23, and nitrous oxide has a GWP of 310. A complete list of GWP multipliers may be found on this site.

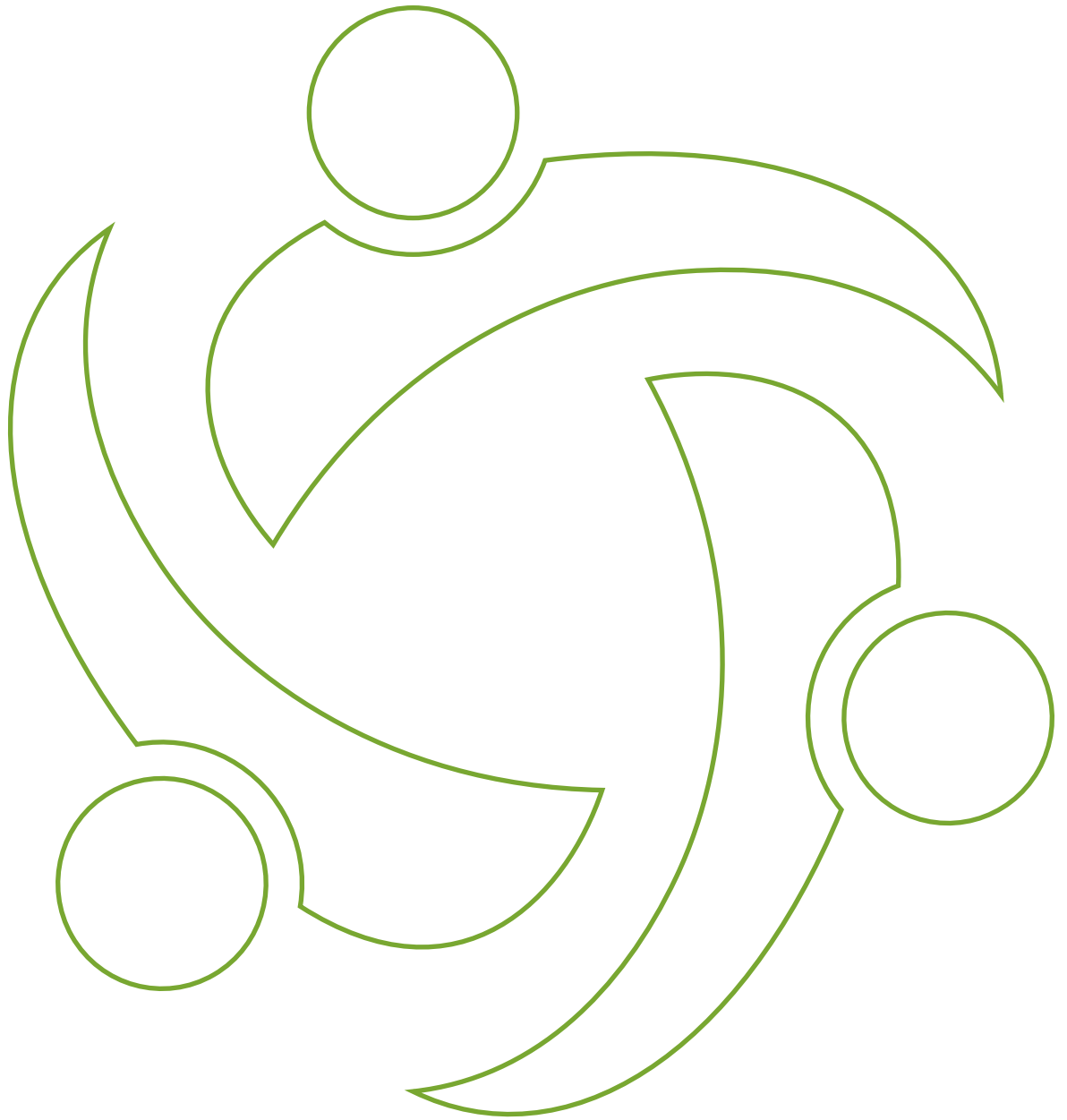
TRI – The Total Recordable Injury index is a standardized method that allows comparison of data among companies of different sizes. The total number of TRIs in a period is multiplied by 200,000 (the average number of hours in 100 years) and is then divided by the total number of exposure hours in the period.

UNESCO – The United Nations Educational, Scientific and Cultural Organization, whose purpose is to contribute to peace and security by promoting international collaboration through education, science, and culture in order to further universal respect for justice, the rule of law, and human rights along with fundamental freedoms proclaimed in the United Nations Charter.

UNFCCC – The United Nations Framework Convention on Climate Change is an international treaty, supported by a United Nations Secretariat who works to consider what can be done to reduce global warming.

UNICEF – The United Nations Children's Fund is mandated by the United Nations General Assembly to advocate for the protection of children's rights, to help meet their basic needs and to expand their opportunities to reach their full potential.

VPs – The Voluntary Principles on Security and Human Rights are a set of voluntary principles that guide companies in maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms.



sherritt

Sherritt International Corporation
1133 Yonge Street
Toronto, ON Canada M4T 2Y7

www.sherritt.com/sustainability