



sherritt

THE NAME IN NICKEL

2014
SUSTAINABILITY
REPORT

Message from the President and Chief Executive Officer

I believe sustainability is a proxy for good management and crucial to business success, and I am pleased to introduce Sherritt's 2014 Sustainability Report.

This year's report outlines our achievements and challenges over the course of the year as we worked towards continuously improving our performance. We know that understanding the concerns of our stakeholders is vital to building a reputation as a leader in responsible mining and energy production and maintaining our social license to operate.

2014 was a year of important progress for Sherritt. We refocused on our core business of nickel production and ramped up output at Ambatovy. We also extended the life and value of our energy business in Cuba, and reduced our overall debt and operating costs. Importantly, we achieved all this without compromising our commitment to sustainability. In fact, we further aligned our sustainability management approach with external expectations by signing on with the Voluntary Principles on Security and Human Rights Initiative and the Extractive Industries Transparency Initiative in 2014. All of these efforts position us favorably as we manage our way through this uncertain commodity pricing environment and set the foundation for responsible and sustainable growth.

As part of our strategic planning process in 2014, we also recast our corporate values statement, referred to as *Our Purpose and Our Promises*. You will notice strong linkages to our sustainability commitment, further bolstering its strategic, cultural and operational relevance to Sherritt.

At Ambatovy, I want to highlight our efforts to sustainably manage our environmental impacts in Madagascar and contribute to the development of local communities. In October, we were honoured to receive the pan-African Nedbank Capital Sustainable Business Award for biodiversity management at Ambatovy. This was a tribute not only to the dedication and passion of Ambatovy's environmental team, but also to the many Malagasy and international partners with whom we work closely. Sherritt was also awarded the 2014 Excellence in Corporate Social Responsibility Award in the Social Enterprise category at the Canadian Business for Social Responsibility Summit in November. We received this recognition for the Ambatovy Local Business Initiative's contribution to local economic development in Madagascar, where we employ thousands of Malagasy workers and procure hundreds of millions of dollars' worth of goods and services from local businesses each year.

In late 2014, the Moa Joint Venture, Sherritt's partnership with a state-owned Cuban company, celebrated its twentieth anniversary. Sherritt is extremely proud of its long-standing presence in Cuba. We have been involved in successful mining and energy businesses there for years, affording us opportunities to contribute to the quality of life of communities near our operations. We hope to expand our mutually beneficial relationship with the Cuban people, as the country looks to attract greater foreign investment and benefit from the historic opening in U.S.-Cuba relations that Presidents Obama and Castro announced last December.

In closing, I wish to thank all of our employees for their hard work and dedication towards making Sherritt a respected leader in sustainability in the extractive sector. I would also like to extend my appreciation to our many business partners who share our commitment to sustainability. Together we are working to build a brighter future for all our stakeholders.



David V. Pathe

Chief Executive Officer

Sherritt International Corporation



David V. Pathe

Chief Executive Officer
Sherritt International Corporation

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 & Gas and Power – and the Technologies group, Sherritt has a presence in Canada, Cuba and Madagascar. In 2014, Sherritt refocused its strategy to concentrate on its core nickel business, build balance sheet strength and increase liquidity. Strategic decisions included selling the Coal Division in April of 2014 and discontinuing its involvement in the Sulawesi Project, a nickel exploration venture in Indonesia, in January 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.
- 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)
- Calgary, Alberta (Oil & Gas and Power)

Madagascar

METALS

- Ambatovy Joint Venture, Madagascar (mine, process plant and refinery)

Cuba

METALS

- Moa Joint Venture, Cuba (mine and process plant)

POWER

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

OIL & GAS

- Cuba, various sites

OFFICE

- Havana, Cuba (Corporate – Oil & Gas and Power, Metals)

OUR WORKFORCE

In 2014, Sherritt employed, directly or through subsidiaries, affiliates and joint ventures, more than 6,800 people on a full-time, permanent basis. This figure represents a decrease of approximately 15% from 2013, largely due to restructuring and the sale of the Coal Division (see Significant Changes in the Reporting Period for additional information). We also supported the employment of approximately 5,700 people working for contractors (98% of them at the Ambatovy Joint Venture) for a total workforce of over 12,500 people.

Almost 46% of Sherritt's Canadian workforce in 2014 was represented by one bargaining unit.

In Cuba, Sherritt hires employees from the state in a similar fashion to contracted workers. In our reporting, we account for them as Sherritt employees because they work full-time at our facilities under contract and supervision under contract and supervision of General Nickel Company S.A., a Cuban company and Sherritt's partner in the Moa Joint Venture (JV), for the Moa JV or Petroempleo for the Oil & Gas and Power Divisions. 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, which is composed of elected Employee Worker Delegates. The Council has a legal mandate to engage with management on individual and collective workplace grievances, working conditions, compensation, professional qualifications and classification and technological development. Its functions are similar to those of labour unions in North American collective bargaining systems.

In 2014, Ambatovy filled 722 vacant positions, 61% through external recruitment and 39% with internal applicants. For external recruitment, 77% were filled by local residents from the two regions near our operations and 23% were filled by Malagasies from elsewhere in Madagascar.

SUSTAINABLE HYDROMETALLURGICAL PROCESSING

Technologies considers sustainability aspects in the design of all new processes and in the implementation of process improvements – including those related to emissions. In 2014, Technologies applied to present a paper at the Sustainable Hydrometallurgical Processing Symposium of the 2015 Conference of Metallurgists. The paper, which was accepted in early 2015, is entitled “Sustainable Hydrometallurgical Processing at the Ambatovy Operation in Madagascar”.



About This Report

This report provides information on Sherritt’s sustainability performance from January 1, 2014 to December 31, 2014 focusing 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 the 2014 reporting period. Text has been revised only to the extent necessary to reflect changes and achievements in 2014.

The report describes the key aspects of our business and our interactions with our stakeholders and the environment. We hope that the information we provide here helps the reader understand how we make good on our commitments and we welcome comments on how our reporting can be improved.

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 commitments outlined in our sustainability framework, instilling a more integrated approach to 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 fully implemented at our operations.

The report includes information on sites where Sherritt has operational control in Canada, Cuba and Madagascar. Information on joint ventures (JVs) or partnerships is provided on an adjusted basis, where indicated. 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 operations to provide a more textured picture of our progress.

SIGNIFICANT CHANGES DURING THE REPORTING PERIOD

The following significant events occurred in 2014, which had an impact on our sustainability performance:

- 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. We finished December with record ore throughput – approximately 83% of nameplate capacity.
- In January 2014, Sherritt 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.
- In April 2014, we completed the previously announced sale of our Canadian Coal business for total consideration of \$946 million.
- In Oil & Gas, we obtained an extension of a key production-sharing contract (PSC) in Cuba in May and signed two new production-sharing contracts in December, providing us with new areas to explore for long-term oil production.
- In October 2014, we implemented a restructuring plan that impacted approximately 10% of our salaried workforce, excluding Ambatovy, in an effort to reduce costs.
- In 2014, we paid down over \$700 million in debt and significantly strengthened our balance sheet.

Our sustainability framework appropriately addresses the sustainability-related issues/risks flowing from these events.



Approach

Sherritt aligns with good practice and is dedicated to continuous improvement in order to achieve operational excellence.

Learn more about our **Key Sustainability Priorities**

WHAT DOES SUSTAINABILITY MEAN TO US?

There is an abundance of terms in use by companies in the resource development sector to describe their approach to ensuring the safety and health of their employees and communities, protecting the environment, interacting with a wide range of stakeholders, providing benefits to local communities, respecting human rights, and establishing respectful and productive relationships with all levels of government. At Sherritt, we use the term “sustainability” as an umbrella that covers all of these interrelated and increasingly material elements of our business. To have a strong business that can grow, we must ensure that we incorporate excellence across a full range of sustainability topics and help catalyze the development of healthy and vibrant communities wherever we operate.

Our Purpose and Our Promises

In 2014, Sherritt developed Our Purpose and Our Promises, which comprises the principles that guide our actions and articulate our shared values as a company. We understand that to build a high-performance organization, it is essential to be accountable to all of our stakeholders – our employees, our investors and the communities in which we live and work.

Our Purpose: To be a low-cost nickel producer that creates sustainable prosperity for our employees, investors and communities.

We have Canadian roots, global experience and a track record of seizing opportunities. Our strong partnerships, technical expertise and operational excellence lead the industry forward.

Our Promises: For each of our priority stakeholder groups, we promise to...

	SHARED PROSPERITY	LEARNING AND INNOVATION	SAFETY AND SUSTAINABILITY	AGILITY	INTEGRITY
EMPLOYEES	Achieve success as a team	Be innovative, eager to learn and driven to be our best	Place people’s health and well-being above all else	Embrace change and swiftly implement decisions to build a stronger company	Build trust and treat people with respect
INVESTORS	Deliver long-term, superior returns to investors and business partners	Learn from our history and leverage our expertise to optimize productivity and profitability	Manage environmental, social and governance risks to grow shareholder value	Apply our entrepreneurial spirit to act decisively on opportunities that create value	Operate our business ethically, openly and with discipline
COMMUNITIES	Create lasting economic benefits for the community	Share our experience with the community and learn from their wisdom	Keep the community safe and respect the surrounding environment	Actively engage with the community to be responsive to their needs	Respect the community, embrace their culture and honour our commitments

Sustainability Framework

Sherritt's sustainability framework provides a focused and practical approach to prioritizing issues, and managing and measuring sustainability performance. Strategically, it supports *Our Purpose and Our Promises*, which contains a specific commitment to Safety and Sustainability excellence.

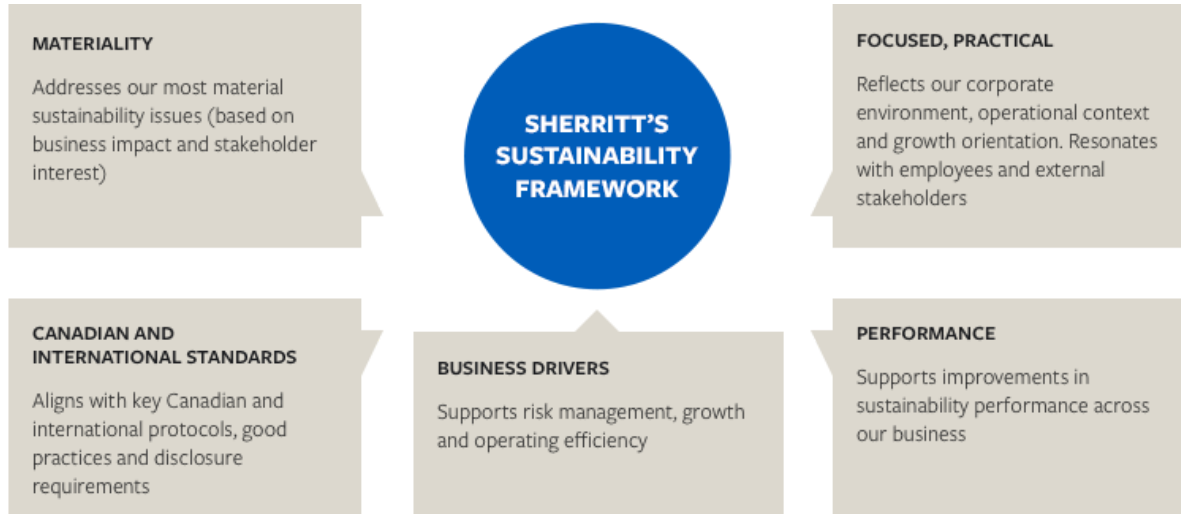
Our framework consists of a core commitment to sustainability and a series of issue-specific commitments, which are supported by a management system with policies, standards, procedures and guidelines to set company-wide requirements for planning, implementation, measurement, reporting and, when warranted, assurance of sustainability efforts across Sherritt. Our approach is broadly influenced by the OECD Guidelines for Multinational Enterprises and the UN Global Compact.

Our 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	OPERATING ETHICALLY	DEMONSTRATING ENVIRONMENTAL RESPONSIBILITY	ENGAGING STAKEHOLDERS AND BENEFITTING COMMUNITIES
<p>HEALTH AND SAFETY</p> <p>Commit to zero harm: zero fatalities, injuries, and work-related illnesses among employees and contractors.</p> <p>PUBLIC SAFETY</p> <p>Maintain public safety around our sites through effective risk management, active communication and ongoing community engagement.</p> <p>REWARDING WORKPLACE</p> <p>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.</p>	<p>BUSINESS ETHICS</p> <p>Foster a culture and environment that support and require ethical conduct.</p> <p>HUMAN RIGHTS</p> <p>Operate our business in a way that respects human rights as set forth in the Universal Declaration of Human Rights.</p>	<p>TAILINGS MANAGEMENT</p> <p>Design and operate all tailings management facilities – throughout the mine lifecycle – to meet or exceed applicable regulatory and company standards.</p> <p>BIODIVERSITY AND LAND</p> <p>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.</p> <p>WATER</p> <p>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.</p> <p>ENERGY AND CLIMATE CHANGE</p> <p>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.</p>	<p>STAKEHOLDER ENGAGEMENT</p> <p>Engage stakeholders early on and throughout the asset lifecycle; and build enduring relationships based on mutual trust, respect and transparency.</p> <p>TRANSPARENCY</p> <p>Provide stakeholders with timely and accurate information on the impacts and benefits of our mining-related activities and management practices.</p> <p>COMMUNITY BENEFITS</p> <p>Contribute to a lasting improvement in quality of life in the communities where we operate.</p>

Approach to Managing Key Sustainability Issues

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



This framework addresses the sustainability issues most relevant (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 was rolled out in 2013 and efforts to embed it across all of our divisions continued in 2014. As part of this process, we identified key gaps and priority areas relative to the sustainability commitments at each site to inform site-level business planning. Based on this review and drawing on evolving international best practice, we developed sustainability action plans for each of our divisions.

In late 2014, we developed a review process that requires divisions to report on the progress they are making on the implementation of key sustainability elements. Each quarter, we report our progress to the Environment, Health, Safety and Sustainability (EHS&S) Committee of the Board. Results of our performance feed back into our business planning cycle for continuous improvement.

The sustainability framework is designed to be a living document that 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 based on a thorough knowledge of our business, a detailed understanding of our operations, a review of our corporate and divisional documents and processes (e.g., risk registers, management systems, corporate policies, codes and sustainability initiatives), and 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.¹

A materiality assessment is conducted 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.)

The issues with the highest combined ranking of expected business impact and stakeholder interest are characterized as "material" for Sherritt and are reflected in the sustainability framework. They are reviewed every three to five years – or following any significant changes in our business, societal expectations or industry standards – 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.

1. Towards Sustainable Mining (TSM), developed by the Mining Association of Canada, provides a robust approach to addressing the common material issues that extractive companies face and complements several international standards. TSM differs from most other standards by being operationally focused. Sherritt is aligning its sustainability management systems with the relevant elements of TSM. For issues not addressed by TSM, Sherritt is aligning with evolving international standards and guidance from organizations such as the International Organization for Standardization (ISO) and the International Finance Corporation (IFC).

Governance

Sherritt's Board of Directors has established 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 leadership and oversight of EHS&S functions are delegated to the Corporate Affairs and Sustainability (CA&S) Department and the Director of EH&S, both of whom report to Sherritt's Chief Operating Officer.

Following an organizational change in 2014, the Director of CA&S now leads that department, informs the Corporation and the Board on matters of government relations and sustainability, and participates in EHS&S Committee meetings to discuss material risks and opportunities at the corporate, site and community levels. Functionally, the Director of CA&S is responsible for:

- Managing key government and stakeholder relationships;
- Coordinating the development, implementation and integration of Sherritt's sustainability commitments and related management systems;
- Engaging in strategic issues management on matters that affect social license, reputation and stakeholder concerns;
- Leading special projects to advance and protect Sherritt's corporate reputation; and
- Driving external sustainability reporting.

The Director of EH&S informs the Board of EH&S performance and other material issues within the divisions through formal reporting each quarter. The Director of EH&S prepares the EH&S strategic plan, leads the implementation, and facilitates company-wide awareness-building and information-sharing on EH&S trends and issues, and the development and implementation of targeted management systems. Functionally, this position is responsible for EH&S assurance, standardization, reporting and continuous improvement.

Division leaders participate in EHS&S Committee meetings alongside the Director of CA&S and the Director of EH&S to discuss on-the-ground EHS&S issues and performance. 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 site-specific risks to achieve an acceptable level of overall business risk. Some of these risks are associated with EHS&S activities. Sherritt personnel are experienced mining and processing industry professionals and are well versed in the inherent risks in the natural resources sector. We work to manage and minimize business risks by adhering to a defined set of policies, standards, procedures and guidance notes.

The Board 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 strategic risks facing the Corporation. It 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 events and impacts, financial changes, technologies, access to resources and availability of required workers, among others. 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 page 54 of our 2014 Annual Report.

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.

Key Sustainability Priorities

Commitment Area	Priority	2014 Progress
Culture/Reputation Management	<ul style="list-style-type: none"> • Build awareness and understanding of our sustainability framework and performance among internal and external stakeholders • Encourage employee behaviours that reflect sustainability commitments • Strengthen internal cross-functional sustainability networks for collaboration, sharing and learning • Participate in external communities of practice events that support peer learning and continued improvement in sustainability performance 	<ul style="list-style-type: none"> • Published 2013 Sustainability Report and widely communicated to employees • Actively participated and presented at communities of practice and related forums, such as the Devonshire Initiative (a Canadian round table for development non-governmental organization (NGO) and mining company dialogue) and the annual convention of the Prospectors and Developers Association of Canada • Developed <i>Our Purpose and Our Promises</i> • Initiated the publication of internal employee newsletters to enhance corporate culture and employee engagement
Management Systems	<ul style="list-style-type: none"> • Develop enterprise-wide management systems (policies, standards, procedures and guidance) that incorporate leading Canadian and international standards to ensure excellence in addressing material sustainability matters • Continuously improve internal and external sustainability reporting • Incorporate leading practices from particular Sherritt divisions into corporate-wide guidance • Remain current with industry good practice trends 	<ul style="list-style-type: none"> • Developed an enterprise-wide Sustainability Policy and Environment, Health and Safety (EH&S) Policy • Updated the Anti-Corruption Policy, Government Relations Policy and Community Investment Policy • Accepted into the Voluntary Principles on Security and Human Rights Initiative • Became a supporting company of the Extractive Industries Transparency Initiative (EITI) • 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 • Conducted site self-assessments against the Mining Association of Canada's Towards Sustainable Mining indicators

<p>Business Integration</p>	<ul style="list-style-type: none"> • Integrate the sustainability framework into all relevant business processes and embed it in corporate documentation and communication materials 	<ul style="list-style-type: none"> • Employees from the Corporate Affairs and Sustainability Department participated in Sherritt's Policy Committee, enterprise risk management task force, and employee engagement task force • Updated sections in the Annual Information Form to align with the sustainability framework • Developed, updated and began implementation of multi-year plans to drive sustainability integration at the divisional and site level
<p>Corporate Governance</p>	<ul style="list-style-type: none"> • Embed sustainability considerations in corporate governance structures, practices and policies • Facilitate Board awareness and understanding of material and emerging sustainability risks, opportunities, issues and trends • Continuously improve sustainability-related QA/QC and internal reporting on sustainability performance 	<ul style="list-style-type: none"> • Formally revised the mandate of the Board's Environment, Health, Safety and Sustainability (EHS&S) Committee to include additional guidance relating to sustainability • Provided a detailed overview of sustainability framework to the new Chair of the Board's EHS&S Committee • Made significant improvements to Board reporting by reviewing strategic plans, introducing leading indicators and piloting a new reporting template for sustainability performance, designed to improve – and bring greater consistency to – the management, tracking and reporting of potentially material incidents, issues and activities



Safe and Rewarding Workplace

Sherritt's operations are built upon a zero harm health and safety culture. We strive to ensure that every employee returns home from work safely.

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 2014 performance data, see Workplace Indicators.

Management Approach

Sherritt’s operations are built upon a culture of zero harm in the areas of health and safety (H&S). We strive to ensure that every employee returns home from work safely. We work hard to minimize operational risks and communicate this to communities around our facilities to ensure transparency. We also continue to make employee engagement and development a top priority.

Building on our Operations Integrity Management System and the strong H&S management systems and practices in each of our divisions, Sherritt continues to strengthen its corporate-wide H&S management system. Based on the results of our site-level sustainability action plans and drawing on international best practice, including the Mining Association of Canada’s Towards Sustainable Mining (TSM) program, International Organization for Standardization (ISO) 14001, the International Finance Corporation’s (IFC) Performance Standards and Occupational Health and Safety Assessment Series (OHSAS) 18001, we have bolstered our H&S management practices and approaches, including accountability programs, risk identification and control, and management review. These efforts will continue to drive our continuous improvement philosophy across our operations. Most importantly, we have initiated preventive and corrective actions to improve both workforce and public safety protocols in response to two fatalities involving members of the public in 2014. These actions include but are not limited to vehicle safety programs and access restrictions to remote work sites. At our sites, we continue to implement H&S leading performance indicators to reflect our focus on prevention and leadership.

Sherritt is proud of the team we have in place across the Corporation, and we want to ensure our employees continue to find Sherritt a rewarding place to work – one that considers their well-being and professional development. We are committed to employee engagement and hold managers accountable for developing and executing action plans to strengthen employee engagement. Questions aimed at getting a better understanding of labour/management relations, remuneration, professional development, communication, and culture/behaviours are included in the 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	2014 Progress
Health and Safety	<ul style="list-style-type: none"> • Reinforce a strong H&S culture among employees and contractors through visible and felt leadership, training and leading key performance indicators (KPIs) • Align H&S management systems with TSM Safety and Health protocol requirements 	<ul style="list-style-type: none"> • Completed TSM gap analyses at each site • Developed a multi-year implementation plan for management systems, based largely on the TSM protocols • Added a “Safety Observation” reporting function to Ambatovy’s Incident Management System to encourage personnel to report at-risk behaviour
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 an incident at a Coal facility formerly owned by Sherritt and to align with TSM requirements for crisis management • Continue to work with local, regional, provincial and national stakeholders to facilitate alignment in protocols, responses and communication activities 	<ul style="list-style-type: none"> • Completed a self-assessment against TSM at all sites and the corporate office, including a detailed gap analysis at Fort Saskatchewan • Implemented an Incident Command System (ICS) at the Fort Saskatchewan site, standardizing our response system with neighbouring municipalities and industry • Successfully incinerated an abandoned ammonia stock on the site of the former state-owned company ZEREN in Toamasina, Madagascar to increase public safety

Rewarding Workplace

- 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
 - Developed *Our Purpose and Our Promises*, which defines our principles and shared values as an organization and set the foundation of Sherritt's employment brand
 - Designed a new enterprise-wide development program for mid-level managers that will pilot in 2015
 - Continued to offer supervisory training at the divisions and continued the Sherritt Leadership Development Program targeted at senior-level managers
 - Focused on making employee communications more transparent and open, and utilizing technology to give employees greater access
 - Designed the 2015 employee engagement survey
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Health and Safety

Sherritt's operations are built upon a strong 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 continue to enhance our H&S management system with a greater focus on leadership and prevention, as well as enterprise-wide alignment with the Mining Association of Canada's Towards Sustainable Mining Safety and Health protocol.

We are saddened to report two non-work related fatalities involving members of the public in 2014. One fatality occurred along the Ambatovy pipeline right-of-way. The ramp of a low-bed trailer, which was being operated by one of Ambatovy's contractors, fell and struck a member of the local community who had come to help raise the ramp manually. The villager was subsequently transported to a hospital where he succumbed to his injuries. The incident was fully investigated, and corrective and preventive actions such as access restrictions to remote work locations and maintenance programs were implemented. The second fatality occurred in the vicinity of the Moa site in Cuba. A company vehicle was involved in a highway accident with another vehicle. The passengers in the company vehicle suffered minor injuries, while the passengers in the other vehicle were severely injured, including one fatality. The company co-operated fully with the local authorities, and the incident was investigated by the authorities and internally as well. Corrective and preventive actions, such as controls on company vehicle usage and additional driver safety training, were implemented.

Comparisons of LTI and TRI performance with peer resource companies and industry benchmarks, such as Ontario's Workplace Safety North, the U.S. Mine Safety and Health Administration, SafeWork Australia, the Canadian Association of Petroleum Producers, and the International Association of Oil and Gas Producers, continue to be favourable. Nevertheless, Sherritt is driving continuous improvement through the deployment of management-focused leading indicators of performance, risk-based management systems, and supervisor and manager training programs.

METALS

Moa Joint Venture (Moa JV)

We continue to conduct analysis at both Canadian and Cuban operations of the Moa JV to understand the root causes of LTIs and TRIs and to implement changes to improve performance. A large number of incidents relate to contractors. As a result, significant effort is being expended to ensure contractors are educated in and comply with all of our operations' on-site safety standards and we continue to promote adherence to similar safety programs when any of our staff or contractors are working off site. We have also been increasing training requirements for new employees and provide continued training for current members of our workforce.

Our operations in Moa, Cuba reported 12-month rolling injury indices for 2014 of 0.61 TRI and 0.57 LTI. Throughout 2014, 99 opportunities for interaction were used for Safety Chats, seminars and video, and 80 leadership walks were conducted, allowing leaders to interact with the workforce and discuss H&S issues such as equipment technical status, hygiene, procedures and housekeeping. In response to a negative trend involving motorized vehicles, we provided additional training on defensive driving, introduced a new program to bring a greater focus to proper personal protective equipment (PPE) and formalized our management safety inspection process. Towards the end of 2014, Moa reviewed and prioritized its safety concerns and implemented a plan to improve performance. Priorities in the plan focused on improving the safety culture, including proper use of PPE, communication, driving habits and improving overall safety conditions. We are also reinforcing the ultimate objective of zero harm and using leading indicators and historical data as a comparator for current performance.

Our Fort Saskatchewan site in Alberta achieved 12-month rolling indices of 0.49 for TRI and 0.24 for LTI, with two lost time incidents during the year. We made a concerted effort to improve leading indicator performance including:

- 189 leadership walks, including 97 walks focused on H&S activities and 92 focused on environment-related activities;
- 113 H&S communications, including safety meetings, risk communications and bulletins on health, safety and hygiene topics;
- 55 fire drills involving all support buildings and all operating crews;
- 2,641 site safety orientations completed by the security group for new employees and for all contractors doing work at the site; and
- 1,622 Safety System Inspections (SSI).

An annual audit of the H&S program was completed, allowing us to maintain our Certificate of Recognition through the Alberta Workers Compensation Board Partners in Injury Reduction (PIR) program. The site achieved an overall passing score of 89%.

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 launched a number of support initiatives to ensure continued success. Ambatovy takes great pride in maintaining a TRI below 0.20 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 2014, five management walks were conducted with senior management and contractor site management, and 12 field safety walks were conducted with contractor H&S representatives and Ambatovy supervisors.

Ambatovy held a safety day in 2014 to inform and improve the attitudes and behaviours of employees and contractors with regard to safety. At this Ambatovy-wide event with the slogan “Be the lead in Safety”, employees and contractors received a special safety day toolbox and were encouraged to show their commitment through different activities such as participating in a safety walk-down focused on behaviour, signing their names on the Safety commitment wall and sharing safety improvement ideas in the suggestion box.

To ensure that safety measures are followed, all new employees complete an H&S induction and mandatory specialized training prior to starting work. Ambatovy also provides workers with a complete H&S training program and undertakes 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 risk assessments supplement routine assessments and 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 to record relevant equipment additions and changes, and a safety review procedure was implemented for training personnel on new initiatives.

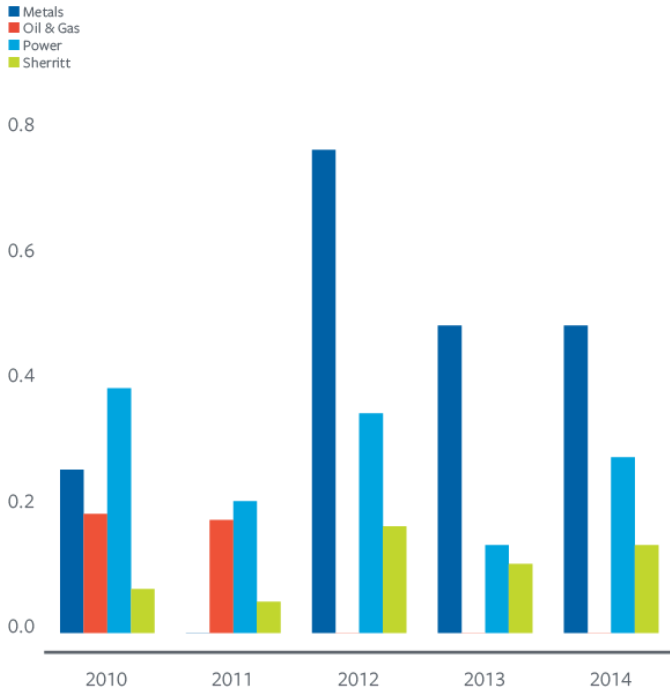
Ambatovy continued to work with all contractors to bring them into closer alignment with its H&S standard. In 2014, Ambatovy instituted a monthly safety walk-down program whereby Ambatovy’s H&S team meets with contractors’ H&S representatives and inspects the different work areas of the plant. In addition, a formal H&S weekly meeting with contractors’ H&S representatives has been launched and the monthly H&S meeting with contractors’ site managers has continued. As part of its overall safety program, Ambatovy carried out 24 safety audits of major contractors in 2014. Ambatovy also conducted “permit to work” audits on a daily basis to ensure that the activities carried out are controlled with a safe system of work.

In 2014, Ambatovy conducted a gap analysis on Occupational Health and Safety Assessment Series (OHSAS) 18001, the then-highest international standard for occupational health and safety. Following the audit’s findings, Ambatovy began updating key procedures to further align with the OHSAS criteria. In December 2014, OHSAS 18001 transitioned to a full ISO standard (ISO 45001). In 2015, Ambatovy will focus on aligning itself with this new standard.

In 2014, 5,286 trainees completed 58,629 hours of H&S training at Ambatovy.

LOST TIME INJURY (LTI) INDEX^{1,2}

(12-month rolling average as at December 31, 2014)

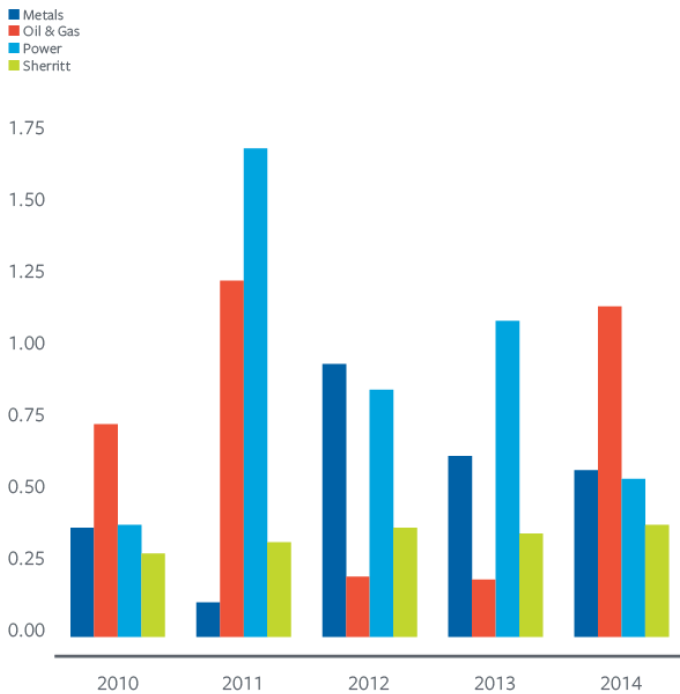


1. The LTI and TRI indices are calculated by multiplying the number of total LTIs or TRIs by 200,000 and then dividing by total exposure hours. This index provides a measure that is comparable across industries and businesses of varying size.

2. Data have been restated to include contractors throughout.

TOTAL RECORDABLE INJURY (TRI) INDEX^{1,2}

(12-month rolling average as at December 31, 2014)



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 operates within the standards set by regulators and by the communities that we operate in and around 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 the Mining Association of Canada's Towards Sustainable Mining (TSM) Crisis Management Planning protocol, standards set by the International Organization for Standardization (ISO), the International Finance Corporation's (IFC) Performance Standards, and the Incident Command System's (ICS) management approach.

METALS

Moa Joint Venture (Moa JV)

At the Moa JV 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 exercises of its emergency operations centre (EOC) to test readiness for managing potential incidents that involve chemicals and other materials on site.

The Incident Command System has been implemented at the Fort Saskatchewan site, replacing our past management system and standardizing our response system with neighbouring municipalities and industry. This allows closer collaboration and coordination in the event of a significant incident. ICS has also been adopted by other industry partners in Fort Saskatchewan and the municipality, facilitating common understanding and allowing for more efficient use of resources. Two EOC simulations using ICS were conducted in 2014, enabling emergency team personnel to become familiar with the system in simulated conditions. An Exercise After Action Report was prepared to facilitate learning from the simulation.

The Fort Saskatchewan site continues to participate in Northeast Region Community Awareness Emergency Response (NRCAER), a partnership of emergency management teams from 30 industries and eight municipalities in the Industrial Heartland of Alberta. NRCAER adopted a new community notification system in 2014. Sherritt is a member of the Emergency Response Committee, and our personnel participate in 10 emergency system reviews at area facilities annually.

Sherritt's Emergency Response group conducted two dangerous goods awareness sessions for the local Royal Canadian Mounted Police (RCMP) detachment in 2014.

Ambatovy Joint Venture (Ambatovy)

In Madagascar, 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, 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.

Ambatovy actively supports the United Nations Awareness and Preparedness of Emergencies at the Local Level (APELL) program, led by the regional and national government. As part of this program, Ambatovy supported the establishment of the specific response plans or preparedness and prevention information sheets (PPIs) for ammonia, sulphur, and our tailings facility. Ambatovy also supported the sensitization of local companies and authorities in how to establish PPIs for their own operations.

As part of its efforts to make a positive contribution to community health, Ambatovy is committed to fighting the spread of HIV/AIDS in nearby communities and among its workforce by building awareness and carrying out other prevention-related activities. Its objective is to achieve "zero new cases". In 2014, Ambatovy received a Good Practice Award from the Executive Director of UNAIDS, Michel Sidibé, who also serves as Deputy Secretary General of the United Nations. The award was in recognition of the company's commitment to the implementation of the national policy on HIV/AIDS in the work environment, and in the fight against stigma and discrimination in the workplace.

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 awareness-building campaigns in the local community and joint training exercises, when appropriate.



AMBATOVY INDUSTRIAL RISK COMMITTEE

In Madagascar, Ambatovy continued to participate in and support Regional Industrial Risks Management Committee initiatives, working in close coordination with the National Office for the Management of Disasters and Catastrophes (BNGRC) and the French Cooperation Program, 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.

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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, 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.

There were multiple initiatives in 2014 that focused on strengthening our talent management practices while continuing to target key areas to increase employee engagement across the company. Building leadership capability at Sherritt continues to be a strategic priority. Leadership assessments, a thorough talent review process, succession planning and continued focus on leadership development were key components of the company's human resources plan in 2014. To address and support shifting demographics across our organization, we introduced an innovative phased retirement program. The continued emphasis on creating a pay-for-performance culture led to the introduction of a Performance Scorecard, which provides quarterly updates to all employees on the organization's performance in a number of areas.

EMPLOYEE ENGAGEMENT AND COMPANY CULTURE

Executing action plans stemming from the 2011 employee engagement survey was a continuing focus at Sherritt and included programs to support more effective communication, employee development, recognition and compensation plans designed to pay for performance.

The process of clarifying our strategy and articulating our shared values as a company began with the creation of the Strategic Leadership Forum (SLF). The SLF was a representative group of senior thought leaders from across the company, who came together on two separate occasions in 2014 to define and implement change initiatives that would support building a stronger and more consistent culture across Sherritt. The SLF resulted in the development of *Our Purpose and Our Promises*, which articulates our shared values and will help guide our actions moving forward, and the Performance Scorecard, which will track the measures that have been identified to determine if we are succeeding. The scorecard is a quick-reference document for all employees to see how the organization is performing, at both the company and divisional level. Organizational performance is assessed against financial, production, sustainability and rewarding-workplace measures. A disciplined assessment of organizational performance provides the business context to employees by helping them understand the correlation between performance and pay. A number of initiatives designed to support employee engagement are planned for 2015. A strong focus will be on helping employees gain a better understanding of *Our Purpose and Our Promises* and the Performance Scorecard and what they mean to both individuals and the organization as a whole. [Click here](#) to learn more about *Our Purpose and Our Promises*.

Performance management was also a focus in 2014 and a number of workshops were held to introduce the concept of cascading goals. Additionally, we strengthened our approach to internal communication with technology to communicate effectively with employees at all of our locations. Guided by *Our Purpose and Our Promises*, this work has led us to be more transparent and open with our employees. Increased and more effective employee communications will continue to be an emphasis going forward.

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 worked on enhancing internal communication that facilitated employees gaining a better understanding of the direction of the company and how their efforts are aligned to corporate goals. The use of technology enabled us to reach a broader employee audience through electronic quarterly newsletters and a CEO town hall video broadcast.

TALENT MANAGEMENT

Significant progress was made with our talent agenda. In March 2014, 100 leaders across Sherritt took part in an inaugural Leadership Assessment. The results from these assessments were validated and calibrated in Divisional Talent Review meetings. We now have a much clearer view of leadership capability at Sherritt, which will help us to target specific development actions across the organization. Building this capability continues to be a focus for the organization. In 2014, we completed our fifth cohort of Sherritt's Leadership Development Program. Since the program's inception in 2011, 78 leaders have participated. Design work is underway on a new development program to improve leadership skills for mid-level managers. A pilot – Sherritt's Leadership Essentials – will be completed in 2015 in both Canada and Madagascar. Visit this page for more information

on related efforts in Training and Development.

An innovative Phased Retirement Program was launched to address the shifting demographics of our employee population. We recognize that the transition from full-time work to retirement is significant. To help employees have a respectful and smooth transition into retirement, we introduced voluntary, phased retirement work arrangements. Such arrangements include knowledge transfer from experienced, tenured employees to others, enabling improved succession planning and retention of institutional knowledge.

VOLUNTEERING AT AMBATOVY

In 2014, Ambatovy began the Employee Volunteer Project, an initiative that allows employees to take one work day per year to volunteer in our communities. This year, Ambatovy called for volunteers for Operation Smile, the humanitarian mission that offers surgical corrections to cleft lip/palate patients and those suffering from other facial deformities. From September 11 to 20, 2014, approximately 100 employees participated in the project, which provided care to 119 patients.



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 practices, vessel inspection, International Organization for Standardization standards, project management, leadership, mining equipment operation, incident review, defensive driving, ethics for managers, languages, 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 2014, Moa employees received training amounting to 58,600 hours.

A new leadership development initiative is underway at Fort Saskatchewan, focusing on skills in communication, performance management, conflict and confrontation, change management and coaching.

Training and development of the workforce continues to be a part of our practice in ensuring the health and well-being of our employees. Regulatory, safety, environment and emergency preparedness training, and the development of our leaders are priorities at the Fort Saskatchewan site. In 2014, 13,294 hours of regulatory training were completed. This training helps our employees maintain certifications and informs employees of workplace hazards. A leadership development initiative for front-line supervisors was also completed in 2014. Additional training included the rollout of Life Safety Rules, an update on the site's Pressure Equipment Integrity Management System, and training on medium-voltage switchgear for electricians and operators. A new learning management system has now been fully implemented at the Fort Saskatchewan site to track and manage all learning requirements.

Ambatovy Joint Venture (Ambatovy JV)

Our priority at Ambatovy is to train national employees to take on jobs held by foreign workers and to prepare national talent for senior management roles. In 2014, 76 supervisors and potential supervisors completed a 35-hour supervisor training program and 162 employees completed the Ambatovy Leadership Development Program.

Thousands of Ambatovy 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; the French and English language; office and administration software; management and leadership skills; and corruption and fraud prevention.

OIL & GAS AND POWER

Our Oil & Gas and Power Divisions both maintain a longstanding 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 2014, Oil & Gas and Power employed 96 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 2014, 22 Cubans were training for various levels of gas plant operators, 38 were completing various levels of the power engineering course, and 14 were training to become production field operators. Each individual is tested every two years on all standard operating procedures to retain qualified operator status.

At Oil & Gas and Power, training was offered in operating systems, specialized equipment protection maintenance and operation, safety systems and safe operation of equipment, leadership skills, and office skills.

At Oil & Gas, 8,244 training hours were completed in 2014, representing 3.42 days per employee over the period, 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. Six

training certificates were issued to Oil & Gas employees in 2014. The heavy-duty mechanical apprenticeship program completed its third year.

At Power, 12,631 training hours were completed in 2014, representing more than six days per employee over the period. This is over and above the apprenticeship training being completed at CNCI in Cuba, and operations training on standard operating procedures. Twenty training certificates were issued for Power in 2014.

SHARP: A ROTATIONAL 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 2014, we welcomed one new graduate into the program.





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 our **Management Approach**

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 2014 performance data, see Ethics Indicators.

Management Approach

Sherritt is committed to conducting its business activities ethically and in a way that respects the fundamental human rights enshrined in international conventions.

To demonstrate this commitment, we established an enterprise-wide policy management approach and hierarchy to help ensure policies are transparent, consistent, auditable and implemented effectively across the Corporation. As part of our policy commitments, we strive to continuously improve our understanding and management of ethical issues and stay current on evolving expectations and good practice.

Our Anti-Corruption Policy and awareness and training program is compliant with Canadian regulations and laws from other jurisdictions and is guided by industry good practice. Our Human Rights Policy 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, the Convention on the Rights of the Child and the Voluntary Principles on Security and Human Rights. We remain committed to transparency through support of initiatives such as the Extractive Industries Transparency Initiative (EITI), active participation in the Government of Canada’s stakeholder engagement on transparency reporting regulations, and our own disclosure of material events.

ETHICS PRIORITIES

Commitment Area	Priority	2014 Progress
Business Ethics	<ul style="list-style-type: none"> • Further align the Anti-Corruption Policy with new and evolving legal requirements and good practice • Continue to embed anti-corruption practices in Sherritt culture at all sites • Continuously improve specialized employee training programs on anti-corruption, ethical conduct and sensitivity • Strengthen the effectiveness of the reportable concerns process at all sites 	<ul style="list-style-type: none"> • Updated Anti-Corruption Policy to account for legislative requirements and changes • Initiated the development of a new Anti-Corruption training package to be rolled out in 2015 • Continued carrying out corruption- and fraud-prevention training at Ambatovy • Embedded expectations related to ethical behaviour in <i>Our Purpose and Our Promises</i>
Human Rights	<ul style="list-style-type: none"> • Strengthen management systems that relate to human rights • Integrate human rights criteria into fundamental business processes, such as purchasing, risk assessment and training programs • Continue to align Sherritt’s security practices with requirements of the Voluntary Principles on Security and Human Rights (VPs) 	<ul style="list-style-type: none"> • Updated the Human Rights Policy to reference the Convention on the Rights of the Child • Finalized third-party security and human rights risks assessments at all Sherritt sites • Was admitted into the Voluntary Principles on Security and Human Rights Initiative (VPs) as a participating company • Developed an implementation plan for the VPs to begin in 2015

Business Ethics

Sherritt recognizes sound corporate governance as essential to the Corporation's integrity and to the promotion and protection of shareholders' interests through effective oversight of management. 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 mandates of our Board Committees. 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 opportunity to meet in camera 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 integrated into 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 discrimination, retaliation or harassment.

ANTI-CORRUPTION

Sherritt's Anti-Corruption Policy is supported by a training and awareness program to ensure employees in all divisions regularly receive culturally appropriate information and training on complying with the policy. Sherritt periodically 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 Anti-Corruption Policy was updated in 2014 to reflect evolving societal expectations and legislative changes.

SHERRITT'S ANTI-CORRUPTION POLICY

Sherritt has an Anti-Corruption Policy in place. We seek to avoid even the appearance of corrupt actions on the part of our directors, officers, employees and agents across the enterprise. Our policy is updated regularly to ensure that it complies with applicable legislation and addresses concerns that are relevant to the jurisdictions in which Sherritt operates. It also provides clear guidance on Sherritt's expectations for employee behaviour and, in addition to prohibiting certain activities, contains reporting requirements to ensure greater transparency within the organization.



Human Rights

Sherritt's Human Rights Policy explicitly aligns with the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Convention on the Rights of the Child, and the Voluntary Principles on Security and Human Rights (VPs).

Our approach to ensuring our employees are not directly or indirectly complicit in the violation of human rights includes assessing the potential for adverse human rights impacts and taking appropriate measures to ensure that our operations and actions demonstrate respect for human rights. Key tasks in this area are to continuously improve our understanding and management of security and human rights, establish effective grievance mechanisms, and monitor, measure and report on our human rights performance.

Sherritt also has policies on harassment and discrimination, accessibility for customers and guests, relations with indigenous communities, 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 November 2014, Sherritt became a participating company in the VPs Initiative. We will initiate an implementation plan in 2015, which will involve applying the VPs on the ground at all divisions using a risk-based approach.

METALS

Ambatovy Joint Venture (Ambatovy)

Ambatovy has embedded the VPs into its security-related policies, memorandums of understanding with public security, and private security contracts. Ambatovy has held presentations on the VPs for Madagascar's armed forces, gendarmerie, and security and defense authorities and has established partnerships 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, Ambatovy is aligning itself with other international human rights best practices, including those of the International Council on Mining and Metals, as well as the International Finance Corporation Performance Standards, with which Ambatovy is required to comply as part of its lending agreement for project financing. Aside from internal awareness campaigns, Ambatovy also ensures that contract workers are properly trained to comply with its requirements for human rights.

In March 2014, the first human rights awareness session was delivered by law enforcement trainers who were previously trained by Ambatovy. In June 2014, Ambatovy hosted a symposium for the diplomatic, international business, and security communities in Madagascar to promote respect for human rights.

Ambatovy is also committed to addressing stakeholders' questions and concerns. A grievance mechanism is in place to respond to affected communities' concerns and complaints as an important pillar of the stakeholder engagement process. As a responsible mining company, Ambatovy is committed to complying with jurisdictional laws and aligning with international good practice for the industry.

In 2014, Ambatovy received an average of 52 grievances per month on topics related to compensation, impacted rice fields, environment, health and safety, and infrastructure capacity. This represents a decrease from 91 per month in 2013, likely attributable to the completion of rice field restoration, reduction of plant emissions, involvement of local authorities to solve disputes between farmers, and Ambatovy's communication support to stakeholders.

GRIEVANCE MECHANISM AT AMBATOVY

Ambatovy is committed to understanding stakeholders' questions and concerns and to addressing them, to the greatest degree possible. A grievance mechanism to address affected communities' concerns and complaints is an important pillar of the stakeholder engagement process and one of the important requirements of the Guiding Principles on Business and Human Rights. As a responsible mining company, Ambatovy is committed to complying with the laws and frameworks that regulate mining activities, and its comprehensive grievance mechanism, created in 2010, is modelled on good practice guidance. In 2014, Ambatovy created an independent external grievance supervision committee, composed of members of civil society who supervise the grievance management process and make recommendations for improvement.





Environmental Responsibility

Sherritt has taken steps to manage environmental resources responsibly so that future generations can meet their needs.

Learn more about our **Management Approach**

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 →](#)

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 →](#)

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 →](#)

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 2014 performance data, see Environment Indicators.

Management Approach

The recovery of commodities from natural resources inevitably impacts the environment. Our challenge is to ensure that these impacts are minimized, managed and, to the extent possible, remediated where they occur.

We take great care to understand the environmental aspects at each of our operating locations to ensure that we design and implement creative environmental management approaches and actions that address the most important aspects. In this way, we build our social license and seek to create opportunities to enhance environmental outcomes. Our specific commitments in the areas of tailings management, biodiversity and land, water, and energy and climate change focus our efforts and bring more consistency to 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 such as 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 underlying 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 factors.

As in the other functional areas comprising sustainability at Sherritt, we are working diligently to establish an enterprise-wide environmental management system. Our operations are in diverse locations and have developed site-specific standards and procedures to manage environmental matters. We developed a multi-year plan to establish enterprise-wide standards for air, water, and waste management. Our operating locations address other key issues, such as biodiversity and land management, and energy and greenhouse gas management, depending on the local circumstances and priorities. As we establish the enterprise-wide management system, we are incorporating the requirements of evolving international best practices, including relevant requirements of the Mining Association of Canada's Towards Sustainable Mining (TSM) program and the ISO 14001 Environmental Management Standard.

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

ENVIRONMENT PRIORITIES

Commitment Area	Priority	2014 Progress
Tailings	<ul style="list-style-type: none"> Design and implement a tailings management system aligned with TSM requirements Address technical challenges and risks 	<ul style="list-style-type: none"> Finalized the enterprise-wide Tailings Management System (based on TSM) deployment plan Ambatovy's tailings management facility TMF2 began operations
Water	<ul style="list-style-type: none"> Optimize water withdrawal at Ambatovy Monitor groundwater and initiate studies of water use at all locations to better understand the consumption profile 	<ul style="list-style-type: none"> Enhanced monitoring programs and engineering controls for water quality at the Ambatovy mine site Ambatovy obtained the provisional renewal, with increased authorized quantities, of two water withdrawal permits for the Ivondro River, located near the plant site, and for five wells within the site Continued renewal of the existing seepage collection system at the Fort Saskatchewan site
Biodiversity and Land Management	<ul style="list-style-type: none"> Continue the strong focus on achieving the comprehensive biodiversity commitments and requirements at Ambatovy Incorporate the elements of the TSM Biodiversity Conservation Management protocol across our enterprise-wide systems Improve processes for setting reclamation targets 	<ul style="list-style-type: none"> Conducted TSM self-assessments for the Biodiversity Conservation Management protocol at Sherritt priority sites Conducted a field study on species present in the area around Ambatovy's mine site in collaboration with the University of Antananarivo
Energy and Greenhouse Gas (GHG)	<ul style="list-style-type: none"> Identify and evaluate GHG emission-reduction and energy efficiency opportunities in project design and operations to reduce costs Continue the reporting process under the United Nations Framework Convention on Climate Change (UNFCCC) to obtain GHG credits for existing and new emission-reduction projects Incorporate energy and climate change management and reporting requirements from the TSM 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"> Power has had 638,392 tonnes of certified emission reductions verified and accepted by the UNFCCC, which are available for issuance upon request; 184,779 tonnes of emission reductions remain under review Completed TSM self-assessments against the Energy and GHG Emission Management protocol at Oil & Gas and Power sites Completed an air quality monitoring survey at all Oil & Gas sites Completed ground monitoring at all sites operated by Oil & Gas and Power

Tailings Management

Ensuring that tailings from the processing of natural resources are safely handled and stored is critical for the protection of the environment, the community, our reputation and our business. We design and operate our tailings management facilities to meet or exceed all applicable regulatory and company standards, which align with the Towards Sustainable Mining (TSM) Tailings Management protocol.

METALS

Moa Joint Venture (Moa JV)

Sherritt's mining operations in Cuba have a significant tailings management facility. There is also a small amount of by-product residue at our Metals refinery in Fort Saskatchewan that is stored in an engineered structure.

At the Moa JV operation in Cuba, we have implemented a number of improvements to the tailings management facilities that were designed and constructed prior to the formation of the joint venture. To enhance long-term operational, safety and environmental performance, and to prepare for the eventual closure of the tailings management facility (TMF), we are reviewing alternative tailings management approaches that will align with both Cuban regulations and international tailings management practices.

In January 2014, a slump occurred in the berm of the tailings management facility at Moa. This did not cause a breach in the berm and no tailings materials were released into the environment. The Cuban Environmental Regulator (CICA) was informed of the incident and has been satisfied that corrective actions have been implemented to mitigate the possibility of recurrence. In addition, significant effort and resources have been added to Moa's tailings management program, including third-party experts providing additional consulting and oversight on the maintenance and operation of Moa's tailings operation.

Ambatovy Joint Venture (Ambatovy)

Ambatovy's TMF, located several kilometres inland from the plant site, has been designed to meet specific international standards as set out by the Canadian Dam Association and the International Commission on Large Dams, as well as the Mining Association of Canada's TSM Tailings Management protocol. The plant design provides for neutralization and precipitation of the tailings slurry with limestone and lime prior to discharge to the TMF. Containment is achieved through a series of embankments. Groundwater modelling indicates that seepage losses through the embankments and the base of the TMF will be low due to the low permeability of the regional soils and the sealing effects of the basal tailings layers.

Ambatovy's second TMF, known as TMF2, began operations in December 2014 with spigotting (managing the flow of tailings) in front of Dams 1 and 2.

A network of 17 groundwater intercept wells has been drilled to monitor and prevent any contaminant migration and will be commissioned in early 2015.

ALIGNING TAILINGS MANAGEMENT STANDARDS AND PRACTICES WITH THE MINING ASSOCIATION OF CANADA'S TOWARDS SUSTAINABLE MINING

Tailings management was a major focus area for Sherritt in 2014 based on our business needs and risks. Sherritt worked with divisional and third-party geotechnical experts to develop a tailings management standard. To ensure best practice, Sherritt aligned its new management system with the Mining Association of Canada's TSM Tailings Management protocol. An implementation plan is currently underway at our sites.



Biodiversity

Sherritt's biodiversity plans and actions are tailored to the operating context. To protect sensitive ecosystems around our sites, we follow the mitigation hierarchy to avoid impacts where possible, minimize any unavoidable impacts, repair 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.

Ambatovy has a leading Biodiversity Management Program. For an overview of the program, please watch this video.

METALS

Moa Joint Venture (Moa JV)

Sherritt's Fort Saskatchewan site was constructed in a previously developed area which is inside the City of Fort Saskatchewan and the Industrial Heartland. No biodiversity issues have been identified; however, we remain conscious of the need to minimize any impacts to local landscapes around these sites. At the Moa operation, we are very aware of the proximity of the Alejandro de Humboldt National Park, located some 30 km east and inland from our operations. Part of the park covers land that has been identified as having subsurface nickel resources, but the Cuban government protects those lands as part of its National Protected Heritage System. Impacts from earlier exploration by another entity in the area are 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 follows several significant international guidelines and standards, including those established by the International Finance Corporation (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 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).

Approach to Managing Biodiversity

The Ambatovy Biodiversity Management System (ABMS) provides a quality assurance-focused adaptive management framework for biodiversity through the design, implementation, control and tracking of relevant strategies, plans and activities. The ABMS helps to ensure that the mitigation hierarchy (avoid, minimize, restore, offset) is taken into account, ensures compliance with Ambatovy's biodiversity commitments (international, national and internal) and promotes continuous improvement of Ambatovy's biodiversity management.

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

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. In 2014, 156 hectares were cleared at the mine site. Our monitoring continues to indicate that the method is having the desired effect on endemic species, which are experiencing only minimal impacts.

Habitat Conservation and Offsets

Ambatovy continued to support the protection of over 18,000 hectares of forests and wetlands, located both on and off site. While this represents almost 10 times the size of the mine area, this is a decrease from our 2013 report due to a refinement in calculation methods. 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.

Torotorofotsy Wetlands – Protecting an Important Ramsar Site

Ambatovy continues to actively support a process to halt further conversion of a wetland to agricultural fields. The Torotorofotsy Wetlands is a 10,064-hectare wetland and forest area located immediately 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 oversees the site and other stakeholders to provide assistance in managing 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 hectares 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.

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.

Our offsets program at Ambatovy includes the Ankerana Forest (5,715 hectares), plus the mine conservation forest and site offsets. These forest blocks provide a total combined area of over 10,000 hectares of newly protected land. This area is almost six times the mine area and over four times the approximately 2,154 hectares of total disturbed forest land that Sherritt aims to reclaim after operations are completed. 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 overall result is a net gain of conserved land.

In line with international best practice and BBOP guidance, we are continuing to develop appropriate metrics for the biodiversity loss-gain calculations through a comprehensive and consultative process with national and international experts. As of 2014, metrics have been developed (or are under development) and consist of the following biodiversity components:

- Habitats (divided into “azonal”, “zonal”, and “transitional” vegetation)
- Selected priority species (Endangered and Critically Endangered), including priority plant species of concern, lemur species and mantella golden frog – first iteration
- Aquatic ecosystems and endemic fish – first iteration (loss calculations only)

Ambatovy is in the process of establishing legal partnerships with two local NGOs to formalize the long-term management of its offset sites (including Torotorofotsy) and to legally claim the biodiversity gain. These legal mechanisms will ensure that commitments related to national obligations and IFC Performance Standards are respected for the life of the project and beyond.

Ambatovy supports six local forest management community associations (COBA) that have been taking the lead in the sustainable management of natural resources in the conservation area around the mine site. Ambatovy has been supporting these associations through management and leadership training and technical support, and by assisting them in developing sustainable 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 community nurseries that supply Ambatovy for restoration activities. Ambatovy also supports association members through monthly meetings held to resolve issues they encounter and to discuss forward-looking planning and opportunities. In 2014, Ambatovy supplied training in poultry farming, rice cultivation without the use of fire, technical support on the use of a revolving fund for members, and training in marketing and project operating accounting.

Species Conservation

Ambatovy works with reputable international organizations to promote fauna conservation in its areas of operation. Lemurs are endemic to Madagascar, and Ambatovy has long taken action to support the species' health and protection. In 2014, we continued to fit lemurs with radio collars for long-term monitoring and supported the first known health evaluation of two types of lemur species: *A. laniger* and *L. mustelinus*.

Our biodiversity program includes specific initiatives developed for species of particular concern, including:

- Programs to collect and relocate mantella frogs from the mining area and to breed them in captivity.
- Monitoring of fish populations in the mine area to evaluate the extent of occurrence of all species outside of Ambatovy's zone of impact.
- Partnering with Asity, a Malagasy national NGO, to monitor and 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 an orchidarium, arboretum, research nursery and industrial nursery for the production of reclamation seedlings as well as support for the construction of five community nurseries. These all provide a supply of both endemic plants and scientific information for use during the progressive restoration of the mine site.

More information on biodiversity at Ambatovy may be found on Ambatovy's website.

1. This number decreased from the number previously reported as a result of better satellite images that led to a more precise surface calculation.

SHERRITT WINS PRESTIGIOUS NEDBANK CAPITAL SUSTAINABLE BUSINESS AWARD

In October 2014, Sherritt was recognized for excellence in sustainable business practices in Africa and acknowledged for the landmark biodiversity work being carried out at Ambatovy. "We are honoured to win this prestigious award, which became possible in working with numerous Malagasy and international organizations and scientists," said Sherritt's President and CEO, David Pathe. "We knew early on that building Ambatovy would require a visionary approach to biodiversity management and that we could not do this alone. I would like to congratulate everyone at Ambatovy, especially the members of our environment department who work tirelessly to deliver this important program."



Land

We recognize that the land entrusted to us is a valuable and irreplaceable resource. We work with authorities and other organizations to have a positive impact both during active mining and once mining has ceased, 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 resources available for future mining remains accessible as mandated by Cuban regulators. 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, 579 hectares – approximately 80% of the total mined area of 729 hectares – have been reclaimed. 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 Fort Saskatchewan site continues to manage land issues within its government-approved operating permit. Included in the site's operating approval are soil management practices and planning guidelines agreed to with Alberta Environment and Sustainable Resource Development. The site had no significant land-related issues or incidents in 2014.

[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 continues to decrease, from 47 in October 2013 to 15 in October 2014.

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. Ambatovy also plans to reclaim 24 hectares in 2015 around the North, East, South and West Dams. Throughout the life of the mine, restoration activities will be conducted progressively as mining activities are completed.

OIL & GAS AND POWER

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

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 them of our 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. General management of the incident including monitoring, sampling, remediation and engagement with communities continued throughout 2014. For additional information on the incident and our response efforts, please visit www.obed.ca.

METALS

Moa Joint Venture (Moa JV)

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 reduce 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.

Our 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.

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. 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 milligrams per litre (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 from the mine site.

OIL & GAS AND POWER

The Oil & Gas Division uses water to produce drilling mud for operations. Seawater 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 & Gas has 19 groundwater monitoring wells located throughout its areas of operation to identify impacts on 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 seawater for cooling the steam from the combined-cycle steam generator. An early-warning system has been installed there consisting of seven wells that monitor groundwater for any contamination from the seawater 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.

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 that use of the river water posed no threat to human health. Monitoring of fish habitat continued in 2014. A creek in the immediate area of the mine had been physically disturbed, and fish habitat had been impacted.

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 co-operate with the regulator. 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 continues to work with the Alberta regulator to comply with the requirements of the environmental protection order issued in November 2013. Monitoring and data gathering continue, and includes frequent reporting on water quality, sediment quality, fish habitat and other areas. Community engagement regarding the incident and remediation activities is ongoing.



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 changing societal expectations, emissions legislation and regulatory changes.

We are working to establish baselines for energy use and GHG emissions at all our operations and to establish 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 requirements. Alberta has implemented a regulation that is applicable to large GHG emitters in the province, including Metals' Fort Saskatchewan refinery. This was the first GHG regulation in force in Canada.

We currently track GHG emission results for our Canadian and international operations, excluding Oil & Gas, which is implementing a tracking system for emissions. 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 Division 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 pages 92 to 94 of our 2014 Annual Information Form.

METALS

Moa Joint Venture (Moa JV)

At both Moa JV sites, environmental departments calculate emissions and 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, to minimize GHG emissions.

The Moa JV operation in Cuba produces GHGs and other emissions primarily from two sources. The first source is the operation of mine haul trucks and other mobile mining equipment. The second source results mainly 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 each site.)

For 2014, reportable GHG emissions at the Fort Saskatchewan site were 371,739 tonnes of carbon-dioxide equivalent. Of this, 114,228 tonnes were industrial process emissions from the fertilizer operations. These emissions are exempt under the Alberta Specified Gas Emitters Regulation. A portion of the industrial process emissions (19,449 tonnes) was captured and sold commercially for various uses. A purchase of 46,712 credits, for a total cost of \$700,680, 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.

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, which 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 between those two points, which are separated by a 1,000 m drop in elevation. The pipeline not only reduces the costs of ore transportation, but also minimizes 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 requires a temporary increase in fossil-fired electricity production, which results 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.

Emissions in 2014 rose to 1,950,400 tonnes of CO₂e.

OIL & GAS AND POWER

Emissions data for our Oil & Gas operations in Cuba are currently not available, but efforts are underway to implement an emissions tracking system.

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 emissions for each gigawatt hour (GWh) of electricity, reducing overall emissions in the country. By the end of 2014, 1,533,082 tonnes of carbon dioxide emission reductions had been documented for the United Nations' Kyoto credits. Of these, the amount for which credits have been issued remains at 343,125 tonnes due to delays in verification and approvals. An additional 638,392 tonnes have been approved and are ready for issuance, with 184,779 in the approval process for future issuance. At the end of 2014, a further 366,786 tonnes covering the reporting periods of 2012 (172,210), 2013 (127,164), 2014 (67,412) have been documented on a preliminary basis. A summary of credits 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. To continue receiving CDM credits, 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.

TECHNOLOGIES

The hydrometallurgical process designed by Technologies for treatment of the Ambatovy ore is a long-term, sustainable approach to producing nickel and applies several measures to minimize emissions and other forms of waste, wherever possible. Fossil fuel consumption is minimized by using the heat generated in the acid plant to produce power and steam. Steam consumption is minimized by the design of efficient heat recovery systems, while operating conditions are controlled to minimize acid consumption. Fossil fuel consumption by the operation as a whole is further minimized by locating the nickel refinery near the port of Toamasina and utilizing a 220 km slurry pipeline to transport ore from the mine to the refinery.

GHG EMISSIONS REDUCTION

The Power Division has recently inaugurated its 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 Quality

Sherritt is conscious of the potential impacts that its operations may have on air quality. 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 on 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 2014. Air monitoring at Moa includes monitoring of sulphur dioxide (SO₂), carbon monoxide (CO), ammonia (NH₃), hydrogen sulphide (H₂S) 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 2014. The on-site air emissions monitoring program includes stack emissions for NH₃, sulphur oxides (SO_x), nitrogen oxides (NO_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. Emission levels remained similar to prior years. Two capital projects were implemented to replace end-of-life pollution control equipment: an ammonia scrubber in the Leach Plant and a dust collector in the Metals Handling Area.

Moa continues to make progress in reducing SO₂ emissions associated with the operation of the acid plants. Gains made to date are expected to be maintained on an intensity basis by improved maintenance during scheduled shutdowns.

The refinery is a hydrometallurgical plant that uses heat, pressure and associated chemical reactions 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 contained in 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.

Ambatovy Joint Venture (Ambatovy)

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 air¹. In 2014, the SO₂/H₂S, NO_x/NH₃ and PM₁₀ analyzers data captures were 100/100%; 78.4/13.2% and 83.0% respectively.

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). There were no air-related incidents in 2014.

Ambatovy adheres to its approved Social and Environmental Management Plan, which is based on international standards in environment, health and safety, and takes into account broader sustainability considerations. 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.

OIL & GAS AND POWER

Oil & Gas and Power had no significant air release events during 2014. Cuban regulations do not currently require the reporting of this type of data.

TECHNOLOGIES

The hydrometallurgical process designed by Technologies minimizes air emissions. Sulphur, used to prepare sulphuric acid and hydrogen sulphide to produce a nickel and cobalt mixed-sulphide intermediate, is recovered in the refinery as ammonium sulphate fertilizer.

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

Waste Management

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

METALS

Moa Joint Venture (Moa JV)

The Moa JV has recycling programs in place that include scrap metal (about 754 tonnes in 2014), used oil (almost 119 tonnes in 2014), cans, paper, pallets and batteries. Non-hazardous recyclable materials, including 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 has several options for recycling materials. Ambatovy works with ECO-AID, a company based in Toamasina that also receives support through our Ambatovy Local Business Initiative, to process plastic waste into ground plastic material for sale on the local and international markets. In 2014, we recycled 979 m³ of plastic waste, a decrease of over 600 m³ compared to 2013, partly due to our overall efforts to reduce plastic waste creation. Ambatovy also provided nearly 4,000 m³ of scrap wood to local communities and governments to build or rehabilitate public infrastructure. In 2014, Ambatovy started identifying local craft centres that could use the recycled wood to educate youth in woodworking and to build compressed combustible logs.

OIL & GAS AND POWER

Oil & Gas and Power have well-established programs for recycling waste materials, where possible. In 2014, 107 tons of steel and 40 tons of copper were recycled. Approximately 360 tons of steel casing, 80 tons of drill pipe, containers and tanks, 26 tons of engine parts, pumps and miscellaneous pieces from Production were also recycled, along with 28 m³ of used oil, 176 used tires, 266 used batteries and 14 tons of welding parts.

TECHNOLOGIES

Developing methods to produce stable process residues for long-term storage is a continuing challenge in the metallurgical industry. Technologies has advanced the use of autoclaves to produce such stable residues, for example, in the treatment of arsenic-bearing feeds for the recovery of copper and/or gold. Considerable effort was expended in 2014 on development of an autoclave process to extract copper from such feeds while sequestering the arsenic in a stable residue. Activities in 2014 included several laboratory batch test programs, a continuous pilot plant campaign, and a basic engineering design for a commercial autoclave circuit for a third-party client.



Engaging Stakeholders and Benefitting Communities

Sherritt believes in engaging openly with its stakeholders and partnering with them to share the benefits of its presence.

Learn more about our **Management Approach**

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 2014 performance data, see Stakeholder Indicators.

Management Approach

Sherritt's projects, operations and other business activities affect a diverse range of stakeholders in distinct jurisdictions.

To succeed in the closely watched global natural resources sector, Sherritt must engage effectively and transparently with its stakeholders, who are at the heart of *Our Purpose and Our Promises*. 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 we have 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 and maintain meaningful and productive relationships. 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 (TSM) protocol on Aboriginal and Community Outreach, and international standards 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 regularly 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, whenever possible. In 2014, Sherritt participated in a detailed audit of our community investment portfolio as a member of the London Benchmarking Group (LBG). Results of the audit show that there is room for improvement in our approach to community investment, namely in tracking, reporting and focusing on strategic opportunities. In 2015, we will focus our efforts on developing a community investment standard and guidance.

STAKEHOLDER PRIORITIES

Commitment Area	Priority	2014 Progress
Stakeholder Engagement	<ul style="list-style-type: none"> • Incorporate the requirements of the Mining Association of Canada's TSM Aboriginal and Community Outreach protocol into our enterprise-wide Stakeholder Engagement Policy and management system • Systematize engagement procedures and processes at all sites and offices • Ensure engagement at each site is carried out in a culturally appropriate way 	<ul style="list-style-type: none"> • Developed draft enterprise-wide stakeholder engagement standard and guidance note for use at all sites • Conducted site-level self-assessments against TSM's Aboriginal and Community Outreach protocol at priority sites • Improved internal reporting to management and the Board of Directors on stakeholder engagement • Continued engagement with 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 (GRI) guidelines and monitor other reporting developments and trends that may impact disclosure requirements and expectations 	<ul style="list-style-type: none"> • Actively involved in the consultation process for the Government of Canada's Extractive Sector Transparency Measures Act (ESTMA), which came into force on June 1, 2015 • Established an internal task force to ensure Sherritt's reporting procedures align with ESTMA requirements • Became a supporting company of the Extractive Industries Transparency Initiative, primarily to support Madagascar's EITI candidacy • Became a member of EITI's National Committee (Multi-Stakeholder Group) in Madagascar, which drives in-country activities • Improved corporate financial and sustainability disclosures and communication • Conducted a GRI G4 gap analysis for sustainability reporting
Community Benefits	<ul style="list-style-type: none"> • Integrate community investment into local and regional planning priorities at all sites • Establish a flagship partnership for a community development priority in one or multiple jurisdictions where Sherritt is active • Undertake development programs that support women, children and other vulnerable stakeholder groups 	<ul style="list-style-type: none"> • Contributed over \$3.1 million in community investment enterprise-wide • Consulted with municipal, provincial and, in some cases, national authorities in Cuba, Madagascar and Canada to ensure that our community investment efforts align with local priorities (refer to the Community Benefits page for specific program details) • Maintained local staffing levels of more than 90% at all our sites • Continued support for local supply chain

development in Madagascar, where more than 50% of total suppliers in 2014 were Malagasy companies, which received more than \$400 million in purchase orders

- Engaged several international non-governmental organizations to consider relevant opportunities for a flagship partnership
 - Joined the London Benchmarking Group (LBG) Canada network to improve our Community Investment program and better align it with peer companies
 - Provided philanthropic support for activities related to children's rights and women in mining, and presented at or participated in several public forums relating to these issues in 2014
-

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 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 to support business objectives related to growth, risk management and operating efficiency, and for the allocation of community development funding to address stakeholder priorities.

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](#).

Sherritt engages with a variety of non-governmental organizations (NGOs) through participation in the Devonshire Initiative, a collaborative roundtable discussion 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. Sherritt celebrated its 60th anniversary of operations in Fort Saskatchewan in 2014, with a site celebration including employees, contractors, retirees, and visiting Board Members. During that time, the surrounding community has worked with site management to forge strong and trusting relationships. In Fort Saskatchewan, Sherritt was the first major industrial company in the area, 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. Sherritt continues to have a strong relationship with the City of Fort Saskatchewan to advance community priorities. Sherritt participated in a number of multi-stakeholder forums in 2014, including the annual Fort Saskatchewan Trade Show and meetings with the Chamber of Commerce, Fort Saskatchewan City Council, and Northeast Capital Industrial Association. A number of meetings were also held with the broader stakeholder groups, including governmental and non-governmental associations, through Sherritt's participation in Alberta Environment's ambient air quality objective stakeholder advisory group. There were no community incidents recorded at the Fort Saskatchewan site in 2014.

December 2014 marked the 20th anniversary of the Moa Joint Venture with Cuba, and a celebration was held at the Moa plant site and attended by Sherritt's CEO, senior management and Cuban officials. Over the years, the City of Moa has grown to be a resource hub in the area. Positive relations between the City of Moa and Moa plant management have developed concurrently. The Moa JV has participated in many projects to assist the municipality and has 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 to align our community investment program with the identified priorities of the local community. This engagement also helps us to understand the impacts of our operations on local populations.

Ambatovy Joint Venture (Ambatovy)

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 our 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 include informational sessions along the pipeline right-of-way and main highway, interactions at Ambatovy's Information Centres in Moramanga and Toamasina, public site visits, group and town hall meetings, consultations, Open Door events and presentations, and special question-and-answer sessions. Subjects for discussion included local hiring, community development, local business development, the environment, rice field rehabilitation, demobilization of the contractor construction workforce, 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, the Local Consultative Committee and the Resettlement Committee, to maintain open communication and discuss collaboration opportunities and any challenges or issues. In 2014, an estimated 4,655 stakeholders attended a total of 528 formal meetings, in addition to many more informal engagements.

During construction, Ambatovy archeologists carefully preserved objects of cultural significance. Over the course of its archeological work, Ambatovy identified approximately 5,000 objects (including pottery and stones) and 260 heritage sites. Ambatovy partnered with the University of Toamasina and the CEREL Museum (Centre d'Études et de Recherches Ethnologiques et Linguistiques in French) 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*, and built a Heritage Interpretation Center in Toamasina where the archaeological collection is housed. The collection was donated to the Malagasy Ministry of Culture during a ceremony held in September 2014.

To construct the Ambatovy TMF safely, it was necessary to relocate approximately a thousand people and create the new villages of Vohitrambato and Marovato. Following international good practice, Ambatovy worked with both the people being relocated to these villages as well as the host communities to ensure the viability of the new villages. 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, given that 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 2014 had finalized titles for 88% of the households.

Ambatovy provided compensation to people impacted by its activities to maintain their livelihoods and standard of living. Payments in cash and rice were made to people with rice paddies that had been impacted by construction. Rehabilitation of rice paddies affected by sediment from up-slope construction activities continued, and 297 hectares were rehabilitated in 2014.

In any major development such as Ambatovy, there will be instances of disagreement or situations where industrial activities impact someone's property. Ambatovy has worked hard to ensure that even the smallest property holder is not at a disadvantage. With that in mind, Ambatovy's comprehensive grievance mechanism, created in 2010, is modelled on evolving international best practice to ensure complaints and concerns are understood and effectively responded to. In 2014, 623 grievances were received, representing a significant drop from 2013, which recorded 1,094. The decrease is likely attributable to the end of large-scale construction activity, efforts to improve communication support to stakeholders, capacity-building of register managers, completion of restoration work on impacted rice fields, and the involvement of local authorities in resolving disputes between farmers. It is probable that, as Ambatovy continues its transition to a steady operational phase, the potential for issues to arise in the local community is diminishing, as is common in mining environments. One hundred% of grievances received by Ambatovy in 2014 were acknowledged and 588 were resolved, achieving a resolution rate of 94%.

The Joint Fact Finding (JFF) program, developed in 2013, continued. The JFF is an approach to establish and support a more elaborate relationship with multiple stakeholders by creating opportunities for technical and scientific discussions. In the case of Toamasina, the JFF was launched to explain the plant's air emissions through regional authorities. With Ambatovy's support, regional authorities are able to receive factual information from the Regional Director of Health that they can, in turn, take back to their own communities to share with local residents. In 2014, Ambatovy held eight JFF sessions that included medical professionals from across the region. Participants were educated by the Head of Regional Health in Toamasina and Ambatovy on the possible and most common air emissions that come from the plant. The process will continue in 2015 and will focus on other Ambatovy topics, including the management of the TMF and local water sources.

OIL & GAS AND POWER

We conduct regular consultations for Sherritt's community investment projects and maintain positive relationships with the government administrators in our areas of operation. In 2014, 12 meetings occurred, demonstrating our active engagement with government authorities at the provincial and municipal levels.

BENEFITS OF STAKEHOLDER PARTNERSHIPS

A great deal of Sherritt's success in stakeholder relations is due to the formation of mutually beneficial partnerships, both to operate our business and for community investment purposes. This approach helps us achieve our corporate promise of *Shared Prosperity*.

Sherritt has a long history in Canada. More than two decades ago, the company evolved to incorporate a partnership to manage nickel mining in Cuba with refining assets in Canada. This partnership quickly led to a separate joint venture to produce and distribute energy in Cuba. Ambatovy in Madagascar is also a successful joint venture partnership. (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 present the annual Sherritt Hydrometallurgy Award in recognition of significant contributions in the field of hydrometallurgy. In Madagascar, we partner with dozens of organizations – from the United Nations Children's Fund (UNICEF) to Conservation International – to support our sustainability-related programs. We are involved in other such partnerships in all of our operating jurisdictions. These partnerships allow Sherritt to bring in external expert knowledge and capacity 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 level of disclosure presented in our annual sustainability report, which we have been publishing for the past six years.

Each year, the latest edition of this report is made available on our website to provide a broad range of stakeholders with 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 (www.ambatovy.com).

Sherritt has established policies on timely disclosure, confidentiality and foreign anti-corruption that assist our employees in managing their interactions with external parties 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.

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. This regulation came into force on June 1, 2015 and extractive companies will begin reporting on these payments in their 2016 disclosures.

Sherritt became a supporting company of EITI in 2014 to support Madagascar's candidature. Much like the Government of Canada's above-mentioned initiative, the EITI aims to improve the transparency and accountability of all payments made by companies in extractive industries to governments and is supported by a coalition of governments, companies, civil society groups, financial institutions and investors. 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 to the general public.

Madagascar became an EITI Candidate Country in 2008 and had produced four EITI reports by the end of 2014. Sherritt is fully supportive of this work, and Ambatovy has taken an active role in the MSG in Madagascar to continuously improve reporting and build public awareness about transparency. Ambatovy has contributed to all of Madagascar's EITI reports to date, and as a member of the MSG, has helped raise the public profile of the EITI in Madagascar. In 2011, the EITI Board suspended Madagascar's candidacy until the country returned to democratic rule. In June 2014, the EITI Board lifted the suspension of Madagascar and reinstated its status as a Candidate Country. Madagascar now has two-and-a-half years to become "compliant," and this is a key objective of the EITI MSG work plan for 2015-16.

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 thought leader with our industry and the government on this matter.



Community Benefits

Sherritt recognizes that our social license to operate and grow is inextricably linked to the support of our stakeholders, especially the local communities where we operate. We aim to ensure they can see a benefit from our presence.

Often, benefits will translate economically, such as employment opportunities or supplier contracts, but they 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 community development priorities at each site, as identified through consultation with local stakeholders. Our CI Policy includes culture/heritage and biodiversity as separate focus areas to recognize their growing importance and relevance to social license, in addition to socio-economics, education and health. Sherritt's CI Policy is being updated in 2015 to further strengthen it and ensure it fully aligns with evolving international best practice.

Communities near Sherritt's projects, operations and offices benefit economically from our presence. In 2014, Sherritt as a whole contributed over \$437 million to the economies of our local communities in the form of wages and benefits paid to our workforce, in addition to millions of dollars more paid to local suppliers.

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.

Measuring Our Financial Impact

In 2014, Sherritt adopted the London Benchmarking Group (LBG) model for reporting our 2014 community investments and began reporting on CI at Ambatovy. The LBG model is a global standard for reporting corporate community investments that ensures a consistent definition of community investment across investment styles, industries, sectors and diverse operating environments. Sherritt has participated in a detailed, line-by-line audit of its entire community investment portfolio to ensure the definition is applied consistently. The annual audit's purpose is to help our company demonstrate the value of its portfolio of donations, sponsorships, in-kind investments, employee volunteering and giving, and program management costs. The results enable Sherritt and external stakeholders to be confident that reported figures are a true reflection of the value of the community investment portfolio.

Investment comprises all voluntary contributions Sherritt made directly to community organizations that generate clear and demonstrable value for the communities in which we live and work. In 2014, Sherritt contributed more than \$3,150,000 in community investment in its areas of operation (counting Ambatovy's investment on a 40% basis), excluding program management costs.

METALS

Moa Joint Venture (Moa JV)

Our operation in Fort Saskatchewan continues to source goods and services from regional businesses, and we paid approximately \$2.7 million to the city and the region in taxes and fees in 2014.

The Fort Saskatchewan site operates with local employees from the Fort-Saskatchewan-Edmonton area, with the exception of a few rotational Cuban employees. The majority of spending at the Fort Saskatchewan site is local in nature, from wages to employees, local contractors, and procurement of energy and raw materials. Approximately 95% of our raw materials/energy/reagents costs are local.

A large number of our employees volunteer their time to participate in activities related to minor sports, local government, firefighting and other first responder activities, the collection and distribution of toys and goods during the holidays, local charities, and the organization of community events.

The Fort Saskatchewan site donated to the local public library, youth organizations and educational institutions, among others. The site also participated in the 2014 United Way campaign and raised funds through employee and company donations, as well as special events.

In Cuba, Sherritt consults with local and provincial authorities to offer assistance where it is most needed. We have provided materials for the maintenance of public lighting, lighting for the municipal hospital, air-conditioning equipment for the Moa Hospital, an audio, video and lighting system for a Cultural Centre, materials for urban agricultural farms, and freezers for local markets. In 2014, Sherritt announced that it would be funding the refurbishment and rehabilitation of two community clinics in the Moa area. These efforts benefit the broad community.

Ambatovy Joint Venture (Ambatovy)

Ambatovy's comprehensive social development plan is designed to help the communities achieve sustainability 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.

Ambatovy created a Social Investment Fund (SIF) in partnership with the Government of Madagascar. The SIF represents Ambatovy's commitment of \$25 million to support social development and infrastructure projects in the context of its overall goal of improving the quality of life in the local communities.

Community 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. Ten kiosks, constructed in partnership with the United Nations Children's Fund (UNICEF), provide local youth along the RN2 with locations for gathering, information exchange and social support. The kiosks are manned by 20 peer educators trained by Ambatovy, and provide sensitization to local youth on HIV/AIDS and STDs. These youth-related initiatives are part of Ambatovy's Zero Tolerance Program, established to protect children and fight against children's sexual exploitation. All Ambatovy personnel, as well as contractors, are supportive of this effort.

Ambatovy has been working with local authorities in Toamasina and Moramanga, a town near the mine site, to improve sanitation and waste management as a means of improving public health. In September 2014, Ambatovy officially launched the MORAMADIO waste management project in Moramanga, funded through the \$25 million SIF. The project consists of improving urban waste management in Moramanga with the technical support of the Urban Municipality for the development and adoption of a new, integrated waste collection and pre-collection system. For the TAMADIO waste management program in Toamasina, also funded through the SIF, Ambatovy worked to establish a public-private structure called the Établissement Public Local (Local Public Institution) that will include representatives from the private sector, including Ambatovy, and the general public. This structure will oversee the TAMADIO project's implementation, to be launched in 2015.

Education

In partnership with UNICEF, the construction of four eco-friendly schools was completed in 2013, and the first environmental education program started in September 2014. With our work completed on the project, VOAHAHY VOAKAJY, a local NGO, is now operating the schools, teaching environmental subjects to students in the surrounding area related to nature studies, conservation and outdoor education. Throughout the year (September 2014 to September 2015), it is expected that 900 students will benefit from this program.

Local Procurement

The Ambatovy Joint Venture is one of the largest customers for Malagasy businesses. Since 2007, Ambatovy has spent approximately US\$2.8 billion (100% ownership basis) in local purchasing in over 40 lines of business including: catering, transport, construction, communication, engineering and agriculture. In 2014, 51% of our purchasing was directed to 776 local suppliers, totalling US\$400 million (100% ownership basis) in contracts.

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 (defined as businesses that are registered within Madagascar with a Malagasy tax identification number) sourcing as well as good 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. By end of 2014, 3,883 businesses were registered in our ALBI supplier database, including more than 75% registered as local enterprises. For example, 300 local farmers approximately 1,600 tonnes of fruits and vegetables to our four procurement centres.

Local Capacity Building

Ambatovy's Business Training Centre and Agricultural Training Centres closed in 2014. The centres were designed to assist workers demobilized following the completion of construction find income-generating opportunities. In total, US\$5.9 million was spent on the training centres over the course of three years. In 2014, Ambatovy's Business Training Centre provided 173 training sessions for 536 people and provided mentoring for 18 companies. Since 2012, the Agricultural Training Centres provided training in sustainable farming techniques and livestock-raising to 17,995 people. Approximately half of the participants were women. Ambatovy is working with the Toamasina Chamber of Commerce to ensure the business training modules are continued to support local businesses.

Ambatovy's Social Investment Fund (SIF)

The remaining balance in Ambatovy's US\$25 million SIF was fully committed in 2014, with the government approving a list of 13 projects to be added to the first three agreed upon in earlier years. The funds have been directed to the following social and infrastructure projects in Ambatovy's operating areas:

1. Harensoa Poultry Project
2. Rehabilitation of the Bazary Be in Toamasina
3. Destruction of the Zeren ammonia stock
4. Rehabilitation of the market in Moramanga
5. Rehabilitation of a portion of road in Ambatondrazaka
6. MORAMADIO waste management project in Moramanga
7. TOAMADIO waste management project in Toamasina
8. Creation of a civil protection unit in Toamasina
9. Support for JIRAMA in Toamasina, the national water and energy provider
10. Equipment for the fire brigade in Toamasina
11. Rehabilitation of the Technical High School in Toamasina
12. Establishment of a fund for the good governance of mining royalties
13. Rehabilitation of the market in Brickaville
14. Rehabilitation/construction of infrastructure in Toamasina
15. Construction of a laboratory for the National Environmental Office (ONE) in Toamasina
16. Rehabilitation of the trial court in Moramanga

In June 2014, Ambatovy unveiled "Bazary Be" – a new 5,300 m² marketplace for the City of Toamasina. Valued at more than US\$4 million, it is one of the first projects financed by the SIF. The new market accommodates more than 750 merchants operating goods and food shops and includes pavilions for handicrafts, furniture, fruit and plants. Ambatovy also supported the destruction of the Zeren ammonia stock in October 2014. The ammonia was an environmental hazard from a decommissioned fertilizer company and the abandoned site posed a serious threat to people living in Toamasina and the surrounding area. Ambatovy provided financial, logistical and technical support to eliminate this hazard.

Cultural Heritage

The Heritage Interpretation Centre was inaugurated in September 2014. Dedicated to preserving and presenting to the public the archaeological artifacts found in Ambatovy's intervention areas, the centre ensures the long-term preservation and enhancement of these collections. The signing of a restitution document of these objects also took place during the centre's inauguration.



OIL & GAS AND POWER

In areas where our Oil & Gas and Power operations are located, Sherritt assisted with a range of community projects identified as priorities by local authorities. Cities such as Santa Marta, Matanzas, Cárdenas and the Municipality of Santa Cruz del Norte 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 for sanitation and machinery for maintaining sanitary sewers. We have supplied materials and equipment for the renovation of schools and seniors' homes and the installation of a greenhouse, air conditioning for hospitals, and buses for public transportation.

CORPORATE OFFICE

Sherritt's corporate office uses the same education, health, biodiversity, culture/heritage and social priorities 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 to support local operations and broader business objectives, or are based on a commitment to a cause. Some examples are:

- 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 to 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.
- In the past decade, Sherritt donated to the Northern Alberta Institute of Technology for construction of the Centre for Millwright Technology, which has since trained a significant amount of the workforce employed at Sherritt and other operations in the Industrial Heartland of Alberta.
- 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 2014 to raise funds for the SickKids Hospital, SickKids International and the B.C. Children's Hospital Foundation, to name a few.

AWARD FOR THE AMBATOVOY LOCAL BUSINESS INITIATIVE

In November 2014, Sherritt won the 2014 Excellence in Corporate Responsibility (ECR) Award in the Social Enterprise Creation category at the annual Canadian Business for Social Responsibility Summit for the Ambatovy Local Business Initiative's (ALBI) success in developing local suppliers in Madagascar. The ECR Award recognizes Canadian companies for outstanding work and dedication in the area of sustainable and ethical business practices.





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 2014 corporate performance, please see our 2014 Annual Report.

Corporate Indicators

P-1 Corporate Financial and Operations Highlights

	2014	2013
Adjusted EBITDA (\$ millions) – Total	253.2	216.7
Net earnings (loss) (\$ millions) – Total	(290.0)	(660.3)
Nickel produced (tonnes) – Total	31,276	26,830
Cobalt produced (tonnes) – Total	2,771	2,493
Net oil production (boepd) – Total	10,960	11,331
Electricity generation (GWh) – Total	847	589
Revenue (\$ millions) – Total	455.6	448.5

NOTE: All value figures are in Canadian dollars unless otherwise noted. Adjustment for volume is made to reflect joint venture ownerships – Moa Joint Venture at a 50% basis and Ambatovy Joint Venture at a 40% basis.

Workplace Indicators

W-1 Employee and Workforce Overview

Key Indicator	As at Dec. 31, 2014
Workforce (number of people)	
Canada	798.1
Cuba	2,449
Madagascar	3,596
Other locations	16
Total workforce	6,859.1
Contractors	
Canada	81.7
Cuba	10
Madagascar	5,632
Other locations	2
Total contractors	5,726.7
Total	12,585.8
Gender – percentage of total (excluding contractors)	
Female	13%
Male	87%

Total Recordable Injury (TRI) Index - Total	2014	2013	2012	2011	2010
Metals	0.58	0.63	0.95	0.12	0.38
Madagascar – Ambatovy Joint Venture	0.19	0.22	0.29	0.30	0.26
Oil & Gas	1.15	0.20	0.21	1.24	0.74
Power	0.55	1.10	0.86	1.70	0.39
Sherritt	0.39	0.36	0.38	0.33	0.29

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

Lost Time Injury (LTI) Index - Total	2014	2013	2012	2011	2010
Metals	0.49	0.49	0.77	0.00	0.26
Madagascar – Ambatovy Joint Venture	0.02	0.03	0.07	0.01	0.04
Oil & Gas	0.00	0.00	0.00	0.18	0.19
Power	0.28	0.14	0.35	0.21	0.39
Sherritt	0.14	0.11	0.17	0.05	0.07

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

	2014
<hr/>	
Percentage of employees covered by a collective bargaining agreement – Total	
<hr/>	
Canada	46%
<hr/>	
Cuba	>95%
<hr/>	
Madagascar	n/a
<hr/>	
Number of collective bargaining agreements – Total	1
<hr/>	
Number of unionized employees in Canada – Total	364.5
<hr/>	
Number of strikes or lockouts exceeding one week duration – Total	0
<hr/>	
Awards for employee dependant scholarships (dollar amount) – Total	\$197,000

Note: Employees in Cuba are represented by a union structure but the degree of collective bargaining is not known. Employees in Madagascar do not have formal unions but are represented by employee organizations that provide similar benefits.

Ethics Indicators

ETHICS

Anti-Corruption Training:

By the end of 2014, substantially all affected employees had received anti-corruption training (98%), an initiative that began in 2013. A revised Anti-Corruption Policy was implemented in late 2014 and the Corporation is in the process of rolling out updated training across the enterprise.

HUMAN RIGHTS

Incidents of Discrimination:

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

Child Labour:

Sherritt is effectively managing the risk for incidents of child labour at its operations. 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 2014, Sherritt completed security and human rights risk assessments by subject matter experts at all of its operations and became a member of the Voluntary Principles on Security and Human Rights.

Grievance Procedures:

Ambatovy has a formal grievance procedure. In 2014, 623 grievances were received and 588 were resolved, achieving a resolution rate of 94%. Sherritt does not have a formal grievance mechanism in place at all sites.

Environment Indicators

E-1 Environmental Incident Reports*

Key Indicator (number of reports filed in Canada for Canadian operations)		2014
Fort Saskatchewan		
Air		0
Land		0
Water		0

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

E-2 Reclamation at the Moa Mine

(hectares)	2014	2013	2012	2011	2010
Affected	34.7	91	55	46	46
Reclaimed	25	74	38	43	74

E-3 Ambatovy JV Net Impact of Mining Activities in Forested Areas

Forest/Land Areas	Land to be used (hectares)	Land to be reclaimed (hectares)	Land to be conserved (hectares)
Mine footprint	2,154	2,154	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	2,854	2,754	-100
Net gain			10,344

1. Ambatovy has redefined the mine conservation forest to include only land within Ambatovy's land lease area. This caused a reduction of 1,556 hectares that is outside of the lease area but was being conserved by Ambatovy. This land is rightly under the control/protection of the Analamay-Mantadia Forest Corridor (AMFC) administration. A 300 hectares zone identified in previous reporting as on-site offset is now included in the mine conservation forest total of 3,644 hectares.

The AMFC is a forest area beside the Ambatovy mining lease area that includes 6,823 hectares of forest to be strictly conserved, the 1,556 hectares transferred and other conservation areas. Ambatovy and a major international non-governmental organization were instrumental (through funding and services) in initiating the process to get protected status and forest management for this area but its administration will remain independent of Ambatovy. Ambatovy 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 Ambatovy has effectively increased the total net gain in conserved land to a minimum of 20,070 hectares. Work during 2012

resulted in an increase in this total from the 18,663 hectares that was reported in the previous year.

E-4 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-5 Greenhouse Gas Emissions by Operation

(tonnes of CO₂e)	2014	2013	2012	2011	2010
Metals					
Cuba – Moa Joint Venture	637,029	n/a	n/a	n/a	n/a
Fort Saskatchewan ¹	257,511	256,079	256,079	238,895	223,433
Fort Saskatchewan – Industrial	114,228	111,241	119,709	105,417	71,617
Madagascar – Ambatovy Joint Venture	1,950,400	1,682,300 ²	1,395,600	375,000	n/a
Power					
Cuba – Boca de Jaruco Facilities	931,266				
Cuba – Puerto Escondido Facilities	193,180				
Cuba – Varadero Facilities	528,844				
Total³	1,653,290	1,522,149	1,525,406	1,520,831	948,453

1. Revised Provincial definitions for industrial emissions to include CO₂ sales have resulted in higher Fort Saskatchewan emission levels since 2011 reporting.

2. The Ambatovy GHG level previously reported for 2013 has been revised.

3. Oil & Gas Division GHG emissions data were not available for this report.

E-6 Offset Credits Purchased

Offset Credits Purchased (tonnes of CO₂e)	2014	2013	2012	2011	2010
Metals	46,712	44,437	35,588	16,267	20,120

E-7 Carbon Credits Produced

(tonnes of CO₂e)	2014
Clean Development Mechanism credits issued to year end	343,125
Reported (submitted for approval, not issued or awaiting verification)	184,779
Recorded but not yet submitted	366,786
Total recorded to year end	894,690

AIR EMISSIONS – NO_x

(tonnes)	2014	2013	2012	2011	2010
Metals					
Cuba – Moa Joint Venture	1,593	286	n/a	n/a	n/a
Fort Saskatchewan	1,638	1,670	1,920	1,650	1,556
Power					
Cuba – Boca de Jaruco Facilities	3,206				
Cuba – Puerto Escondido Facilities	477				
Cuba – Varadero Facilities	8,278				
Total	11,961	9,105	3,367	3,198	3,304

AIR EMISSIONS – SO_x

(tonnes)	2014	2013	2012	2011	2010
Metals					
Cuba – Moa Joint Venture	15,071	13,407	14,497	16,334	15,776
Fort Saskatchewan	125	135	177	250	194
Power					
Cuba – Boca de Jaruco Facilities	1,940				
Cuba – Puerto Escondido Facilities	9,074				
Total	11,014	30,092	30,183	33,515	27,255

AIR EMISSIONS – TPM

(tonnes)	2014	2013	2012	2011	2010
Metals					
Cuba – Moa Joint Venture	n/a	n/a	n/a	n/a	n/a
Fort Saskatchewan	64	53	48	48	170
Power					
Total	n/a	n/a	n/a	n/a	n/a

Note: Total site NO_x and SO_x data will not match National Pollution Release Inventory (NPRI) database because NO_x and SO_x data are below the applicable NPRI reporting threshold levels. Total particulate matter (TPM) decreased significantly following process adjustments at the granulation plant, as per testing results.

Moa Nickel has no equivalent data for NO_x and TPM.

E-9 Waste Management Indicators

OIL RECYCLED (LITRES) – TOTAL

	2014
Metals	
Fort Saskatchewan	28,638
Oil & Gas and Power	
Total	37,000

METAL RECYCLED (TONNES) – TOTAL

	2014
Metals	
Cuba – Moa Joint Venture	324
Fort Saskatchewan	430
Oil & Gas and Power	
Total	133.6

Stakeholder Indicators

S-1 Local Employment Contribution

	2014	2013	2012	2011	2010
Wages paid, including benefits, at all operations (\$ millions) – Total	437	557	500	442	430

S-2 Voluntary Community Investment

Sector	2014 (\$)	2013 (\$)	2012 (\$)	2011 (\$)	2010 (\$)
Education	69,107	92,589	606,412	680,625	815,587
Health	315,934	477,564	231,501	1,608,833	791,165
Socio-economic	2,582,806	918,049	1,069,124	402,062	187,620
Culture/Heritage	140,311	103,338	n/a	n/a	n/a
Biodiversity	35,000	8,690	n/a	n/a	n/a
Other	7,341	n/a	n/a	n/a	n/a
Total*	3,150,499	1,600,230	1,907,037	2,691,520	1,794,372

* These totals exclude obligatory community investment and training costs.

S-3 Affiliations, Partnerships and Memberships in 2014

	Organization
Industry	Canadian Council of Chief Executives
	Canadian Institute of Mining, Metallurgy and Petroleum
	Cobalt Development Institute
	Madagascar Business Association
	Chamber of Mines Madagascar
	Madagascar Industrial Association
	Nickel Institute
	Northeast Capital Industrial Association

Prospectors & Developers Association of Canada

Other

Asity Madagascar (BirdLife in Madagascar)

Business and Biodiversity Offsets Programme,
Advisory Group

CARE

Conservation International

Devonshire Initiative

Duke Lemur Center

Extractive Industries Transparency Initiative

Human Network International

International Committee of the Red Cross

Missouri Botanical Garden

Office for the Coordination of Humanitarian Affairs

Population Services International

United Nations Children's Fund (UNICEF)

United Nations Development Program

Voluntary Principles on Security and Human Rights

Wildlife Conservation Society

World Bank – Governance and Development Project

World Bank – Rural Development Program

GRI Index

This report is developed in line with the GRI G3.1 Sustainability Reporting Guidelines and reflects our commitment to the UN Global Compact's Ten Principles and the OECD Guidelines for Multinational Enterprises.

Profile Disclosure	Description	Location	UNGC
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 Managing Key Issues Materiality Governance Performance Annual Information Form, p. 47	
Organizational Profile			
2.1	Organization name	About Sherritt	
2.2	Primary brands, products and activities	About Sherritt Annual Information Form, p. 8 (Metals), p. 19 (Oil & Gas), p. 36 (Power)	
2.3	Operational structure of the organization	About Sherritt Annual Information Form, p. 8 (Metals), p. 19 (Oil & Gas), p. 36 (Power)	
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. 8 (Metals), p. 19 (Oil & Gas), p. 36 (Power)	
2.8	Scale of the organization	About Sherritt Performance (Workplace Indicators) Annual Report (Management's Discussion and Analysis), p. 2-3	
2.9	Significant changes during the reporting period	About This Report Annual Information Form, p. 3-5	
2.10	Awards received		
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 Contact Us For sustainability: sustainability@sherritt.com For investor relations and financial questions: investor@sherritt.com	
3.5	Process for defining report content	Approach Materiality About This Report Managing Key Issues	
3.6	Boundary of the report	About This Report	
3.7	Limitations on the scope or boundary		
3.8	Reporting on joint ventures	About This Report	

3.9	Data measurement techniques	Performance
3.10	Effect of restatements of information	Performance
3.11	Significant changes from previous reporting periods	About This Report 1. Commercial production at Ambatovy began February 1, 2014. 2. Terminated earn-in agreement to acquire or invest in Sulawesi. 3. Completed sale of Canadian coal business. 4. Obtained extension of key production sharing contract in Cuba. 5. Implemented restructuring plan that impacted 10% of salaried workforce. 6. Paid down over \$700 million in debt.
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. 67 Management Information Circular, p. 16 Sherritt's website
4.2	Board Chairman	Annual Information Form, p. 67 Sherritt's website
4.3	Independent Board members	Annual Information Form, p. 67 Sherritt's website
4.4	Stakeholder communication with Board	Management Information Circular, p. 23
4.5	Executive compensation	Management Information Circular (Executive Compensation), p. 35
4.6	Conflicts of interest	Management Information Circular, p. 16
4.7	Board qualifications and expertise	Management Information Circular, p. 20
4.8	Mission, values, codes of conduct and principles	Approach Managing Key Issues (Sherritt sustainability framework) Key Sustainability Priorities Sherritt's website
4.9	Board oversight of sustainability	Governance
4.10	Board performance evaluation	Management Information Circular, p. 22
4.11	Application of precautionary approach or principle	Governance Annual Information Form, p. 47
4.12	External charters, principles or initiatives	Operating Ethically Transparency Human Rights Environmental Responsibility Approach (Our Purpose and Our Promises)
4.13	Memberships in associations	Performance Table S-3, Affiliations, Partnerships and Memberships
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, p. 1 Engaging Stakeholders and Benefitting Communities
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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. 59	7
EC3	Defined benefit plan obligations	Annual Report (Financial Review), p. 60	
EC4	Government financial assistance	Annual Report (Management's Discussion and Analysis), p. 94	
EC6	Local spending for supplies	Engaging Stakeholders and Benefitting Communities – Management Approach Community Benefits	
EC7	Local hiring	Community Benefits	6
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. 39–45	
EN1	Materials used by weight or volume	Not material to Sherritt.	8
EN6	Energy-efficiency initiatives	Energy and Climate Change Annual Information Form, p. 40	8, 9
EN9	Water sources significantly affected by use	Water	8
EN11	Areas of high biodiversity value	Biodiversity Performance Table E-5	8
EN12	Impacts on biodiversity	Biodiversity Performance Table E-5	8
MM1	Land disturbed or rehabilitated	Land Performance Tables E-2 and E-5	
EN13	Habitats protected or restored	Biodiversity Ambatovy JV website	8
EN14	Strategies for managing impacts on biodiversity	Environmental Responsibility – Management Approach Biodiversity	8
EN15	Species at risk	Performance Table E-6 http://www.ambatovy.com/docs/?p=416	8
EN16	Direct and indirect greenhouse gas emissions	Performance Table E-7	8
EN18	Initiatives to reduce greenhouse gas emissions	Energy and Climate Change Performance Table E-9	7, 8, 9
EN19	Emissions of ozone-depleting substances by weight	Not material to Sherritt.	8
EN20	NO _x , SO _x and other significant air emissions	Performance Table E-10	8
EN22	Total weight of waste by type and disposal method	Performance Table E-11	8
EN23	Total number and volume of significant spills	Performance Table E-1	8
EN26	Mitigation of environmental impacts of products	Energy and Climate Change Annual Information Form, p. 39	7, 8, 9
EN27	Products and packaging materials reclaimed	Not material to Sherritt.	8, 9
EN29	Significant environmental impacts of transporting products	Not material to Sherritt.	8

Labour

Management Approach – Labour		Safe and Rewarding Workplace – Management Approach About Sherritt (Our Workforce) Rewarding Workplace	
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LA1	Total workforce	About Sherritt (Our Workforce) Performance Table W-1	
LA4	Collective bargaining agreements	Our Workforce Performance Tables W-1 and W-4	1, 3
MM4	Number of strikes and lockouts	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	1, 2

Human Rights

Management Approach – Human Rights		Operating Ethically – Management Approach Business Ethics Human Rights	
HR4	Total incidents of discrimination	Performance (Ethics Indicators)	2, 6
HR6	Risk for child labour and prevention measures taken	Community Benefits Performance (Ethics Indicators) Ambatovy JV website	2

Society

Management Approach – Society		Engaging Stakeholders and Benefitting Communities – Management Approach Stakeholder Engagement Transparency Community Benefits	
SO1	Community impacts	Community Benefits	2
MM7	Use of grievance mechanisms	Human Rights Stakeholder Engagement Performance (Ethics Indicators)	
MM9	Resettlement	Stakeholder Engagement	
SO3	Corruption training	Business Ethics Performance (Ethics Indicators)	2, 10

Product Responsibility

Management Approach – Product Responsibility		Annual Information Form, p. 39	
PR1	Health and safety impacts of products and services	Not material to Sherritt.	1
PR2	Incidents of non-compliance regarding product health and safety impacts	Not material to Sherritt.	1
PR3	Product information requirements	Not material to Sherritt.	8
PR4	Non-compliance with information requirements	Not material to Sherritt.	8
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.	1
PR9	Significant fines for non-compliance regarding products	Not material to Sherritt.	

Glossary

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.

Boepd – Barrels of oil equivalent per day.

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.

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.

EBITDA – Earnings before interest, taxes, depreciation and amortization.

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

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.

GWh – Gigawatt hours.

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.

NO_x – 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.

SO_x – Sulphur oxide emissions.

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

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.