

**sherritt**



**2020 Responsible  
Production and Supply**

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

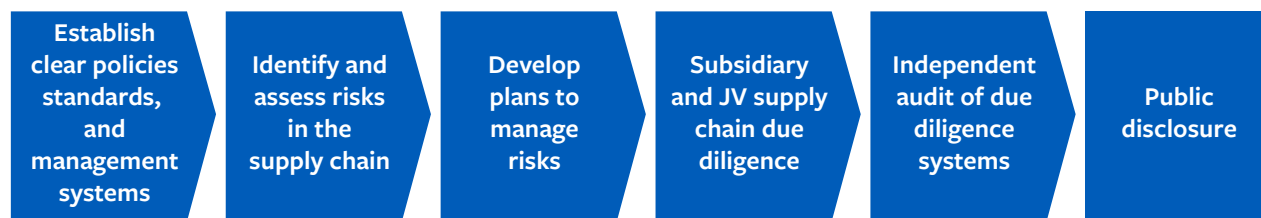
### Management Approach

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

We continue to make progress against plans to ensure we have the appropriate policies and due diligence management systems in place to address the requirements of the Organisation for Economic Co-operation and Development (OECD) [Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#). Sherritt remains engaged with the [Mining Association of Canada](#), the [Responsible Minerals Initiative](#), the [London Metal Exchange](#), the [Nickel Institute](#) and the [Cobalt Institute](#) in order to align with recognized responsible sourcing initiatives, standards and frameworks. Sherritt advocates for the adoption of all of these requirements by its partners, subsidiaries and joint venture organizations.

Sherritt has a robust management system in place to manage environmental and social risks and to meet or exceed performance targets.

**Figure 1. Sherritt’s Responsible Production and Supply Due Diligence Approach**



### Governance

Sherritt’s Board of Directors (the Board) has an independent chairperson, and three sub-committees that provide support with respect to environmental, social and governance (ESG) and responsible production and supply matters: the Audit Committee, the Human Resources Committee and the Environment, Health, Safety and Sustainability (EHS&S) Committee. The EHS&S Committee assists Sherritt’s Board in its oversight of ESG issues by providing direction and by monitoring and reviewing the Corporation’s performance related to responsible production and supply, among other areas. The mandate of the EHS&S Committee can be found on the Corporation’s website.

The [Moa Joint Venture \(JV\)](#) has a Board of Directors that provides oversight of its responsible sourcing performance. Members of Sherritt’s executive team represent Sherritt on the Moa JV Board. The Moa JV has chartered a task force to develop, action and maintain a plan to drive alignment with recognized responsible sourcing initiatives, standards and frameworks.

As part of a baseline assurance process, the JV task force commissioned an independent OECD-aligned audit of its responsible production and supply policies and due diligence management systems. The scope of the audit covered the Cobalt Refinery Company (COREFCO) in Fort Saskatchewan, Alberta, as the choke point in the mineral supply chain.

## Performance

2020 and recent highlights:

- Updated the **Conflict-Affected and High-Risk Areas (CAHRA)** assessment of the Moa JV feed supplies, which concluded that the JV does not source from, operate in, or transit through any conflict-affected or high-risk areas;
- Completed an **independent OECD-aligned audit** of subsidiary and Moa JV responsible sourcing policies and due diligence management systems;
- Updated the **Mineral Feed Policy**, which establishes Moa JV commitments to responsible feed sourcing that are aligned with OECD requirements and industry best practice;
- Developed a **Supplier Code of Conduct**, which identifies expectations of subsidiaries and suppliers to the Moa JV in order to provide responsibly sourced minerals and to implement policies and management systems that are aligned with OECD requirements and with good industry practice;
- Developed a subsidiary **Supplier Declaration** document that requires suppliers to declare their commitments to the Code of Conduct and identify risks in their supply chain;
- Developed a subsidiary **Grievance Standard** to ensure that grievances that may occur across the mineral supply chain will be addressed anonymously and appropriately;
- Completed an independent **Towards Sustainable Mining (TSM) verification audit** at the COREFCO refinery that validated the refinery's implementation of policies and management systems that align with TSM (conducted in early 2021);
- Remained an active upstream member of the **Responsible Minerals Initiative**, the **Cobalt Institute** and the **Nickel Institute**;
- Improved conformance with the [OECD 5-Step Framework](#) from 9/16 requirements to 11/16 requirements; and
- Improved conformance with the **Cobalt Industry Responsible Assessment Framework (CIRAF)**.

The Moa JV participates in regular due diligence assessments against customer responsible sourcing requirements.

## Supply Chain Due Diligence

While Sherritt sources the majority of its cobalt from its own Moa JV operations, the COREFCO refinery also toll-refines cobalt from a select group of third-party suppliers. Recognizing the heightened human rights risks for cobalt, Sherritt updated the CAHRA assessment and continues to implement policies and risk-based management systems at COREFCO. We are pleased to report that the independent OECD-aligned audit of the Moa JV validated Sherritt's assessment that Sherritt and the Moa JV do not source from conflict-affected or high-risk areas and that no other significant problem areas were identified.

The [Sherritt Supplier Code of Conduct](#) identifies expectations of subsidiaries and suppliers to the Moa JV to provide responsibly sourced minerals and to implement policies and management systems that are aligned with OECD requirements and with good industry practice. It was designed to ensure that ethical, environmental and human rights risks in our mineral supply chain are identified and mitigated. Our approach will support the identification, prevention and mitigation of potentially adverse impacts that could negatively impact people, the environment or the company's reputation.

Sherritt subsidiaries and the Moa JV are incorporating responsible production and supply requirements into the supply chain, and the JV continues to refine and develop its supply chain due diligence process.

As mentioned above, Sherritt completed an independent OECD-aligned audit in 2020. A summary report, consistent with OECD Step 5 requirements, is being developed and will be disclosed in 2021. We plan to utilize the learnings from this assessment to further develop our risk-based approach and to collaborate with our key suppliers in addressing and managing the opportunities for improvement identified.

## Alignment with Industry Frameworks and Organizations

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

Sherritt and the Moa JV are broadly aligned with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the OECD 5-Step Framework, the recognized industry standard for responsible supply chains. Sherritt and the Moa JV conform with 13 of the 16 applicable sub-requirements, and we expect the JV to be fully conformant with applicable sub-requirements by 2022. Table 1 below outlines the details of Sherritt's and the Moa JV's conformance with the sub-requirements of the OECD 5-Step Framework.

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

Step	Requirements	Sherritt/Moa JV Conformance	Comments
1. Establish strong company management systems	Adopt a policy for responsible mineral supply chains	Yes	
	Communicate policy to suppliers and incorporate due diligence expectations into contracts	No	In progress. To be completed in 2021.
	Establish traceability or chain of custody system over mineral supply chain	Yes	
2. Identify risks in the supply chain	Identify and verify traceability or chain of custody information (e.g., mine of origin, trade routes, suppliers)	Yes	
	For red flag locations, suppliers or circumstances, undertake on-the-ground assessments to identify risks of contributing to conflict or serious abuses	Not applicable	CAHRA assessment completed. No red flags were identified.
3. Manage risks	Report identified risks to senior management and fix internal systems	Yes	
	Disengage from suppliers associated with the most serious impacts	Not applicable	The CAHRA assessment did not identify any suppliers with serious risks
	Mitigate risk; monitor and track progress	Yes	
4. Audit of smelter/refiner due diligence practices	Smelters/refiners should participate in industry programs to have their due diligence practices audited against an auditing standard aligned with OECD Guidance	Yes	
	Prepare all documentation for audit (e.g., chain of custody or traceability documentation, risk assessment and management documentation for red-flagged sources)	Yes	
	Allow auditors to access company documentation and records	Yes	Audit completed in 2021
	Facilitate auditor access to sample of suppliers as appropriate	Yes	Audit completed in 2021
	Publish summary audit report with audit conclusions	Yes	Summary audit report published in 2021
5. Publicly report on due diligence	Annually describe all due diligence efforts (steps 1 to 4 – e.g., risk assessment and mitigation) with due regard for business confidentiality and other competitive or security concerns	Yes	
	Smelters should publish a summary of their independent audit report	No	Summary audit report to be published in 2021
	Make report publicly available, in offices and/or on company website	No	Summary audit report to be published in 2021

The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the OECD 5-Step Framework are the basis for the Cobalt Refiner Due Diligence Standard, which is the recognized cobalt industry standard. These standards/frameworks form the basis of the Responsible Mineral Initiative’s (RMI) due diligence processes, including the Risk Readiness Assessment (RRA) and the Responsible Minerals Assurance Process (RMAP). Although Sherritt is an active member of the RMI, Sherritt was informed by the RMI that the organization is not able to offer RMAP assessment services to the COREFCO refinery because the RMI is not legally able to assess companies involving restricted persons as identified by the United States Government. As such, the COREFCO refinery cannot be listed as an RMI-conformant smelter even if it conforms with all the standards and frameworks required by the RMI. Nonetheless, RMI did agree to accept an equivalent OECD-aligned audit, and the independent auditors that performed the audit are accredited and recognized by the RMI to perform RMAP audits.

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

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

The following table outlines Sherritt’s and the Moa JV’s conformance with the core elements of CIRAF:

**Table 2. Sherritt/Moa Joint Venture Conformance with CIRAF**

Level	Step	Requirements	Sherritt/Moa JV Conformance	Comments
Level 1 – General Requirements and Human Rights	Step 1 – General Requirements	Agreement with the CIRAF Statement of Commitment, signed by senior management	Yes	
		Provide a Statement of Legal Compliance (or equivalent document, such as a business or mining licence) in country of operation	Yes	
		Materiality assessment of the risk categories; review through a credible mechanism is only required if material risks are different from the material risks listed in the CIRAF decision tree	Yes	
		Public disclosure of the material risks is required	Yes	
	Step 2 – Human Rights	Evidence of risk-specific policy	Yes	
		Evidence of risk-specific management system aligned with OECD Due Diligence Guidance and third-party assurance of the management system	Yes	
		Evidence of public reporting	Yes	

In 2020, Sherritt materially improved its conformance with CIRAF by providing statements of commitment and compliance endorsed by officers of the company and by completing the OECD-aligned third-party assurance of the management system.

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

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

Sherritt has implemented internal policies and due diligence management systems for each of these risk areas through its Sustainability Framework, which is aligned with the Mining Association of Canada’s Towards Sustainable Mining (TSM) framework and other internationally recognized frameworks. An independent TSM verification audit was recently completed at the COREFCO refinery. The audit largely validated the self-assessment scores for the TSM protocols being implemented to manage key risk areas. The results of the verification audit will be made public on the Mining Association of Canada’s website. Sherritt is working with its partners to implement management systems in the Moa JV and to implement due diligence requirements in the mineral supply chain.

**Alignment with the London Metal Exchange Framework**

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

Sherritt and the Moa JV are aligning their due diligence management systems with the LME requirements. We are pursuing a plan towards alignment with LME Track B that will require alignment with the Copper Mark’s Joint Due Diligence Standard for Copper, Lead, Nickel and Zinc, a red flag assessment, independent validation of the red flag assessment, and implementation of management systems. Plans are in place to supplement TSM-based management systems with ISO 14001 (environmental management systems) and ISO 45001 (occupational health and safety management systems) implementation at COREFCO and the Moa Nickel Site.

**Product Stewardship**

Sherritt’s product stewardship efforts have expanded in recent years to meet growing regulatory requirements for both nickel and cobalt. Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulations have defined chemical management programs for refined metals in the European Union since 2006. In the past three years, the organization has gone from one REACH registration for the E.U. to adding two additional REACH registrations, for the U.K. and Korea, with more on the horizon, including India and Taiwan. Every program has its own requirements for classification and labelling.

Sherritt products are assessed on their whole product life cycle and include customer assessments, legal jurisdiction reviews, logistics and form of transportation, hazardous materials and emergency response, contracts and financial rate of return. Maintaining compliance with all product regulatory requirements in relevant markets involves assessing the hazards of the products of mining according to the United Nations Globally Harmonized System of Classification and Labelling of Chemicals, or equivalent relevant regulatory systems, and communicating through safety data sheets and labelling as appropriate.

In 2020, major engagements related to product stewardship included active engagement with the Nickel Institute (NI) and the Cobalt Institute (CI), of which Sherritt has been a member of since 2016. Sherritt contributes to the environmental and health hazard research for both nickel and cobalt to ensure that our classifications remain relevant and accurate. Sherritt is currently acting on various task forces – including but not limited to the NI Health and Environment Public Policy working group; the Nickel Institute Polar Risk Assessment group; the CI Government Affairs Committees, Chemical Management Committee, and Sustainability Committee; and the Cobalt Institute Consortia Occupational Exposure Limit (OEL) Task Force – and is represented on both organizations’ boards of directors, with previous leadership roles on both board executive committees. Sherritt has contributed to many REACH and scientific studies, including upcoming participation in a sampler comparison project from Safeworks British Columbia.

Sherritt continued funding of the NI and the CI to advance the ecological and toxicological science associated with its products, which helps develop appropriate regulations that are protective of human and environmental health.

Other major achievements in 2020 included improving Sherritt’s nickel steel-grade product purity specification, publishing online versions of specification sheets, eliminating wooden pallets from some of our shipments, and double stacking by-products to improve shipping efficiency. Continual improvement to satisfy our customers’ requests and anticipate their needs is Sherritt’s highest priority.

### **Product Life Cycle Assessment**

Sherritt participated in the 2014 Cobalt Life Cycle Assessment (LCA) led by the Cobalt Institute and the 2017 Nickel LCA led by the Nickel Institute, and is currently participating in the 2020 Cobalt LCA study led by the Cobalt Institute. Sherritt is currently in the process of reviewing the 2017 Nickel LCA dataset to work with those involved in the life cycles of our products to improve environmental performance throughout the value chain and to promote the responsible use of our products. This includes research to support the energy-efficient and environmentally sustainable production of our products.

### **Next Steps for 2021**

- Prepare and disclose an OECD Step 5 report that summarizes the results of the independent OECD-aligned audit;
- Continue to implement Sherritt and Moa JV policies and management systems, such as Sherritt’s Sustainability Framework, TSM, and ISO 14001 and 45001, that mitigate identified risks and align with OECD requirements;
- Action the recommendations from the OECD-aligned audit;
- Complete an LME red flag assessment; and
- Continue to align supplier due diligence systems with the GRI Guidelines on Reporting on Responsible Mineral Sourcing.

## Data Tables – GRI and RMI Guidelines on Reporting on Responsible Mineral Sourcing



The following tables are intended to conform with the GRI and RMI Guidelines on Reporting on Responsible Mineral Sourcing. Sherritt’s work in this area also supports U.N. Sustainable Development Goal 12, Responsible Consumption and Production.

Disclosure Components	Sherritt 2020
<b>Reporting on Stakeholder Engagement</b>	
GRI 102-40, 102-42, 102-43, 102-44	Sherritt data related to these indicators can be found in the <a href="#">GRI/SASB Index</a>
<b>Reporting in accordance with the materiality principle, identified topics and impacts</b>	
GRI 102-46, 102-47	Sherritt data related to these indicators can be found in the <a href="#">GRI/SASB Index</a>

### OECD Due Diligence Guidance for Responsible Supply Chains

#### OECD Step 1: Establish Strong Company Management Systems

##### [GRI 103: Management Approach](#)

Disclosure Components	Sherritt 2020
Human Rights and Environment, Health, Safety, and Sustainability Policy	Yes
Subsidiary mineral feed policy	Yes
Mineral feed supplier code of conduct	Yes
Subsidiary implementation of due diligence for mineral supply chain	Yes
Subsidiary surveys of relevant suppliers	No
Subsidiary review of due diligence information received from suppliers against the company’s expectations	Yes
Due diligence process includes correction action management	Yes
Require subsidiaries and subsidiary suppliers to exercise due diligence over the cobalt supply chain in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains	Yes
Require subsidiaries and subsidiary supplier due diligence practices to cover, at a minimum, all risks in the OECD Due Diligence Guidance for Responsible Supply Chains Annex II Model Policy, as well as the worst forms of child labour	Yes
The company provides a grievance mechanism	Yes



**OECD Step 2: Identify and Assess Risks in the Supply Chain****GRI 102: General Disclosures (2016)****GRI 102-9: Supply Chain****GRI 308: Supplier Environmental Assessment (2016)**

Disclosure Components	Sherritt 2020
What percentage of relevant suppliers have provided a response to your supply chain survey?	Not available
Do any of the smelters in your supply chain source minerals from a conflict-affected or high-risk area?	No
Have you identified all of the smelters supplying cobalt to your supply chain?	Yes
Have you assessed whether the smelters/refiners in your supply chain have carried out all steps of due diligence?	No
Have you supported, including through participation in industry-driven programs, joint spot checks and/or audits at the smelter's/refiner's facilities?	Yes, through the RMI RMAP
Have you identified the presence of Annex II risks in the supply chain?	No
Number or percentage of suppliers implementing OECD Due Diligence Guidance	Not available
Percentage of suppliers with a Risk Readiness Assessment completed	Not available

**GRI 308-1: New Suppliers That Were Screened Using Environmental Criteria**

Disclosure Components	Sherritt 2020
Percentage of new suppliers that were screened using environmental criteria	100%

**GRI 308-2: Negative Environmental Impacts in the Supply Chain and Actions Taken**

Disclosure Components	Sherritt 2020
a. Number of suppliers assessed for environmental impacts	Not available
b. Number of suppliers identified as having significant actual and potential negative environmental impacts	Not available
c. Significant actual and potential negative environmental impacts identified in the supply chain	Not available
d. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment	Not available
e. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why	Not available

**OECD Step 3: Design and Implement a Strategy to Respond to Identified Risks**

[GRI 102: General Disclosures \(2016\)](#)

[GRI 102-9: Supply Chain](#)

[GRI 308: Supplier Environmental Assessment \(2016\)](#)

Disclosure Components	Sherritt 2020
Do you review due diligence information received from your supplier against your company’s expectations? (e.g, third-party audit, documentation review only, internal audit)	Yes
Does your review process include corrective action management?	Yes
What are the established procedures or guidelines that determine the response to findings of human rights/child labor violations?	The Supplier Code of Conduct outlines a risk-based approach
Was designated senior management briefed on the gathered information and the actual and potential risks identified in the supply chain risk assessment?	Yes
Are upstream suppliers utilizing or supporting an upstream verification and due diligence system that provides components of risk assessment and mitigation, or has the company implemented concerted capacity-building efforts with measured outcomes that target upstream suppliers?	Unknown

**OECD Step 4: Carry Out Independent Third-Party Audit of Smelter’s/Refiner’s Due Diligence Practices**

Disclosure Components	Sherritt 2020
Percentage of smelters that have been validated by an independent third-party audit program	Not available
Percentage of smelters that are active in an independent third-party audit program but are not yet conformant	Not available
Percentage of smelters that are not participating in an independent third-party audit program	Not available

**OECD Step 5: Report Annually on Supply Chain Due Diligence**

[GRI 102: General Disclosures \(2016\)](#)

[GRI 102-9: Supply Chain](#)

Disclosure Components	Sherritt 2020
Do you publish audit reports with due regard taken of business confidentiality and other competitive concerns?	Yes
Do you publish an annual report on due diligence for responsible supply chains of minerals from conflict-affected or high-risk areas?	Yes
Do you report on risks identified in the supply chain and how those risks are mitigated?	Yes

**Forced or Compulsory Labour**

**GRI 409: Forced or Compulsory Labour (2016)**

**GRI 408: Child Labour (2016)**

Disclosure Components	Sherritt 2020
Operations and suppliers at significant risk for incidents of forced or compulsory labour	0
Presence of worst forms of child labour	0

**GRI 409-1: Operations and Suppliers at Significant Risk for Incidents of Forced or Compulsory Labour**

Disclosure Components	Sherritt 2020
a. Operations and suppliers considered to have significant risk for incidents of forced or compulsory labour, either in terms of:	0
i. type of operation (such as manufacturing plant) and supplier; or	Not applicable
ii. countries or geographic areas with operations and suppliers considered at risk	Not applicable
b. Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labour	Communication of expectations

**Reporting on the Impacts of Mineral Sourcing**

**GRI 205: Anti-corruption (2016)**

**GRI 403: Occupational Health and Safety (2018)**

**GRI 406-1: Incidents of Discrimination and Corrective Actions Taken**

**GRI 410-1: Security Personnel Trained in Human Rights Policies or Procedures**

**GRI 411-1: Incidents of Violations Involving Rights of Indigenous Peoples**

**GRI 412-1: Operations That Have Been Subject to Human Rights Reviews or Impact Assessments**

**GRI 412-2: Significant Investment Agreements and Contracts That Include Human Rights Clauses or That Underwent Human Rights Screening**

Disclosure Components	Sherritt 2020
Incidents of bribery and fraudulent misrepresentation of origin of minerals (by entities in the supply chain like smelters or refiners), monetary impact	0
Incidents of money laundering, monetary impact	0
Occurrences of sexual violence	0
Incidents of torture, cruel, inhuman or degrading treatment	0
Occurrences of war crimes, crimes against humanity, genocide	0
Direct or indirect support to non-state armed groups	0
Number of incidents/types of child labour (focus on worst forms of child labour) occurring in mining areas	0
Number and types of incidents (armed groups, criminal activity)	0
Number of deaths from mining accidents (types – cave-ins)	0

**GRI 411-1: Incidents of Violations Involving Rights of Indigenous Peoples**

Disclosure Components	Sherritt 2020
a. Total number of identified incidents of violations involving the rights of indigenous peoples during the reporting period	0
b. Status of the incidents and actions taken with reference to the following:	Not applicable
i. Incident reviewed by the organization	Not applicable
ii. Remediation plans being implemented	Not applicable
iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes	Not applicable
iv. Incident no longer subject to action	Not applicable

**GRI 412-2: Significant Investment Agreements and Contracts That Include Human Rights Clauses or That Underwent Human Rights Screening**

Disclosure Components	Sherritt 2020
a. Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations	Not available
b. Percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations	Not available

**Mineral Sourcing–Related Positive Impacts**

**GRI 413: Local Communities (2016)**

Disclosure Components	Sherritt 2020
Positive economic benefits imparted on communities	C\$581,000,000
Jobs created	Not available
Infrastructure created	Not applicable