The following report is submitted in conformance with the Corporate Pillar Member reporting requirements for the Voluntary Principles on Security and Human Rights and is the first Update Report submitted following on the full report published last year. As per the requirements for the Update Report, Sherritt will address only the sections where there has been a material change. For the previous years’ full report, refer to the VPSHRs public website.

(A) Commitment to the Voluntary Principles

Sherritt International Corporation (Sherritt or the Company) began to implement the Voluntary Principles on Security and Human Rights (the Voluntary Principles or the VPSHR) in 2009 at its Ambatovy operation in Madagascar. In 2013, the Company was interested in formally joining the Voluntary Principles Initiative and carried out a series of independent, external risk assessments on security and human rights at Ambatovy as well as its Oil and Gas, and Power (OGP) operations in Cuba, and the Moa Joint Venture nickel operations in Fort Saskatchewan, Alberta, Canada, and Moa, Cuba. Following these assessments, Sherritt began developing a comprehensive management system to assist its operations in the identification and mitigation of human rights and security-related risks, in alignment with the expectations of the Voluntary Principles. Sherritt formally applied and was accepted to join the Voluntary Principles Association in late 2014.

In 2019, due to its ownership status, Ambatovy was deemed non-material for Sherritt’s sustainability disclosures. This includes the 2019 Sustainability Report, to be published in 2020 and all subsequent public disclosures. Ambatovy is covered in the following report given that Sherritt represented their VPs interest as a company pillar member in 2019. Moving forward, Ambatovy may consider applying to the VPI as an independent company pillar member. At the time of writing this report, Ambatovy remains committed to the VPSHRs and the full implementation of the standard.

With Ambatovy deemed non-material, Sherritt’s focus for VP implementation will continue to be on Canada and Cuba, with the majority of the focus being on potential implementation in Cuba. Sherritt believes that Cuba’s state security provider, Empresa de Servicios Especializados de Protección, S.A. (SEPSA), of which Sherritt’s joint ventures have had a relationship with for over 25 years, already has good alignment with the requirements of the VPSHRs, and that the standard will provide an opportunity to demonstrate that position. However, Cuba’s sensitivity to external interventions on the topic of human rights and the potential for political manipulation of disclosed information will require a long and continuous engagement to reach a level of familiarization and acceptance of the VPs.

A Sherritt representative attended the plenary in London in March 2019 and made a verification presentation, as per the member requirements of the Corporate Pillar. In addition, Sherritt provided a summary report of the VPs report to the Mining Association of Canada, of which Sherritt is a member and of which requires MAC member companies that rely upon private or public security forces to commit to implementing a human rights and security approach consistent with the VPs and based on a determination of risk at mining facilities that they control. Those members with international mining operations will then report on their implementation annually in MAC’s TSM Progress Report.
(B) Policies, Procedures and Related Activities

Sherritt formalized its commitment to the VPSHR in 2015 with the President and Chief Executive Officer’s approval of the Company’s Security Policy and the Chief Operating Officer’s approval of the Security and Human Rights Standard, both of which are aligned with the Voluntary Principles. Additional procedures and guidance have been developed to implement specific elements of the Voluntary Principles into Sherritt’s internal security practices.

In 2019, Sherritt updated its overarching Human Rights Policy and rolled it out to its divisions. The material changes to the policy were:

- Provided a more detail around vulnerable groups;
- Consistent with external responsible sourcing frameworks and standard requirements, added a commitment to ‘respect the fundamental rights of employees as articulated by the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work’ and included the term compulsory labour to include ‘servitude, human trafficking and exploitation’ in line with UN and UK guidance;
- Added clarity around expectations of suppliers and commitment to communicate expectations to suppliers;
- Incorporated references to the following external standards to which the company subscribes:
  - Towards Sustainable Mining
  - Voluntary Principles on Security and Human Rights
  - UN Guiding Principles on Business and Human Rights
  - UN Global Compact Principles
  - OECD Guidelines for Multinational Enterprises
  - Children’s Rights and Business Principles

Over the course of the year, the impetus for the VPs was further reinforced with the increasing interest in responsible sourcing practices, particularly for cobalt producers around the world. The VPs are recognized by several bodies and standards, including OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, as exemplary management systems for companies engaging with public or private security in the mineral supply chain. Sherritt is confident that it does not source from, operate in, or transit through conflict-affected or high-risk areas (CAHRA). Sherritt believes that its implementation of the VPs in the very low risk jurisdiction of Canada demonstrates the applicability and value of the VPs as part of a robust responsible supplier management system no matter the operating jurisdiction.

Throughout 2019, Sherritt undertook of a review of existing management systems and its own internal thorough CAHRA assessment to identify gaps and priority areas for responsible sourcing. This work will continue in 2020-2021, with third-party review, and with a particular focus on Cuba to ensure Sherritt’s joint venture partners are knowledgeable and accepting of the approach. It is anticipated that there will new and amended policies and procedures forthcoming as a result of this coordinated review.
(C) Country Implementation
Sherritt continues to work towards full application of the Voluntary Principles at all of its sites. In Canada, Sherritt recognizes that security and human rights-related risks are relatively low and good governance practices are relatively mature; therefore, few additional measures need to be put in place to ensure compliance with the Voluntary Principles and a 2018 external audit, previously reported, confirms that.

In Q2, an external assessment of Ambatovy’s implementation of the Voluntary Principles on Security and Human Rights, as well as UNICEF’s Child Rights and Security Checklist and the requirements outlined in Annex II of the OECD Due Diligence Guidance for Responsible Supply Chain of Minerals from Conflict-Affected and High-Risk Areas, was conducted. The report was finalized in early January 2020. The findings indicated:

- Overall, the country has shown a decrease in performance in all areas of governance between 2007 and 2017, with the control of corruption and rule of law, in particular, having deteriorated significantly.
- Ambatovy’s Security Department continues to implement a range of policies, procedures and practices in order to move towards full compliance with the VPHSR. This includes the implementation of several recommendations stemming from the 2013 VPSHR assessment. The Department also recently conducted a self-assessment against the VPSHR with plans to review the assessment every six months; such monitoring will be useful to help the sites keep individuals accountable for various tasks. Ambatovy promotes international security and human rights-related standards with its public security and private security providers, and shares best practices with Malagasy government bodies, international organizations and other companies through national level initiatives. The Security and Community Relations teams are working closely on security awareness initiatives.
- Despite these positive findings, the report noted that Ambatovy’s performance on VPs implementation diminished slightly since the last external audit was conducted in 2013 (from about 78% to 71%). A caveat to this finding is that the audit in 2013 was a desktop audit in Canada with no visit to the field, whereas the 2019 audit included site visits in-country, consultations with external stakeholders and the use of perception indicators. As such, the auditor likely observed and captured non-compliances that would not have come up through the desktop assessment alone. It is therefore difficult to say that performance definitively decreased. Regardless, the recommendations for improvement included in the 2019 assessment are relevant and useful, and have been incorporated into an action plan.
- Overall performance is very good in regards to engaging suppliers in the VPs, though there are minor gaps to improve upon.

Other implementation progress in Canada, Cuba, and Madagascar included the following; however, this is not an exhaustive list:

- Conducted vulnerability assessments for critical assets at Ambatovy in Q2.
- Enhanced infrastructure and security related-IT including perimeter fences, CCTV, lock systems, etc. at all sites.
- Selected one new security provider after a contract termination at Ambatovy.
- Organized security awareness training for expatriates at Ambatovy.
- Continued the “Greenbelt Project” in the vicinity of the mine (that had been initiated in 2018), which includes a series of activities to strengthen company-community relations and to help address security issues in the surrounding areas.
- Took part in events to share experiences, best practices and lessons learned on the implementation of the Voluntary Principles, such as at a round-table discussion organized by its partner Search for Common Ground with funding from the British Embassy, in March 2019.
- Sherritt Security employees at our Canadian refinery continued to work with their third-party security provider on scenario training and with the Royal Canadian Mounted Police (RCMP) local detachment to develop police oriented maps for responding to incidents. These maps will identify hazards and assist Officers in determining the type of response they can mount. This work was subsequently presented at NRCAER Emergency Response Committee, as a best practice example.

Application of the Voluntary Principles at the Company’s operations in Cuba requires a longer-term approach to familiarize Sherritt’s joint-venture partners – which are state-owned enterprises – and other government stakeholders with the VPSHR; however, some progress was made in 2019. In Q1 2019 Sherritt representatives met with SEPSA, the public security provider in Cuba that is contracted to provide security services at Moa and OGP sites to discuss the Voluntary Principles on Security and Human Rights (VPSHR). The discussions were constructive during the meeting and an informal agreement was made to continue to pursue familiarization and alignment with the VPs through follow-up meetings. SEPSA officials committed to reviewing the requirements of the VPs and providing feedback. A subsequent meeting in Q1 2020 was postponed, and a follow-up meeting is to be scheduled in early 2020.

(D) Lessons and Issues
No material lessons or issues to record for 2019.