

2020

# ANNUAL UPDATE REPORT

SUBMITTED TO SATISFY REQUIREMENTS OF CORPORATE  
PILLAR MEMBERSHIP TO THE VOLUNTARY PRINCIPLES  
INITIATIVE (VPI)

4-23-2021

**sherritt**

The following report is submitted in conformance with the Corporate Pillar Member reporting requirements for the Voluntary Principles on Security and Human Rights. This is the second Update Report submitted following on Sherritt's 2019 Update Report and the 2018 Full Report. As per the requirements for the Update Report, Sherritt will address only the sections where there has been a material change. For previous annual reports, 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, VPs 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, 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 a change in ownership status, Ambatovy was deemed non-material for Sherritt's sustainability disclosures. As of 2020, all reference to Ambatovy has been removed from Sherritt's public disclosures.

In 2020, Sherritt continued promoting awareness of the VPs by participating in VPs related meetings and conference calls with member companies and governments. At the site level, Sherritt security officers continued to communicate the importance of complying with the Voluntary Principles to our security personnel and private security contractors.

Sherritt's focus for VPs implementation will continue to be on Canada and Cuba. Sherritt believes that Cuba's state security provider, Empresa de Servicios Especializados de Protección, S.A. (SEPSA), 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.

### **(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 2020, Sherritt publicly disclosed its [Human Rights Policy](#) along with its 2019 Annual Sustainability Report. In this Policy, Sherritt commits to respect human rights as set forth in the United Nations Universal Declaration of Human Rights (UDHR) and to ensure that security arrangements for the company's operations are consistent with the VPSHRs.

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 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.

As part of the responsible sourcing efforts, Sherritt documented a mineral feed policy, supplier code of conduct, and supplier declaration all of which express Sherritt's commitment to the VPs and flow the requirements down to mineral feed supply chain. Suppliers of mineral feed to Sherritt and its subsidiaries are expected to commit to and implement the VPs.

In 2020, Sherritt obtained an independent OECD-aligned assessment of its responsible sourcing policies and due diligence management systems, including its policies and standards on Security and Human Rights. The assessment did not identify any gaps with Sherritt's Human Rights Policy or Security management systems.

Sherritt's operations in Cuba and Canada did not record any security incidents involving allegations or claims of human rights abuse in 2020. Additionally, there were no human rights-related grievances reported by external stakeholders at any of our operating sites in 2020.

### **(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. This was confirmed by an external audit in 2018.

Implementation progress in 2020 in Canada and Cuba included the following:

- A comprehensive review of Security Post Orders at Sherritt's Canadian refinery was conducted in Q4, with revisions and updates completed to align with the VPs.
- Sherritt Security employees at our Canadian refinery continued to work with their third-party security provider in developing online training sessions in 2020 due to COVID-19 restrictions. Some of the courses provided were: Active Shooter and Raising Threat Awareness. Implementation of training this year presented difficulties due to staff turnover, limited in person training opportunities, and limitations with our current instructors.

- Engagement with the Royal Canadian Mounted Police (RCMP) local detachment Emergency Response Team Commanding Officer took place towards a collaboration on Active Shooter and other site security threats that may involve RCMP resources. Communication and engagement will continue towards future operational refinement and preparedness for the Fort Site.

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. Due to COVID-19 restrictions Sherritt could not further discussions and socialization of the VPs with its Cuban partners.

#### **(D) Lessons and Issues**

The COVID-19 pandemic presented limitations and difficulties for the implementation of training in 2020 due to staff turnover, limited in person training opportunities, and limitations with instructor availability. This highlighted the need to develop online training sessions.

Due to COVID-19 restrictions Sherritt could not further discussions and socialization of the VPs with its Cuban partners.