

# Sherritt International Corporation

2018 Annual Report

to

The Voluntary Principles on Security and Human Rights

**sherritt**

Submitted February 2019

## Executive Summary

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 nickel 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.

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.

Sherritt endeavors to apply the Voluntary Principles at all of its sites; however, the speed and extensiveness of implementation is based on the individual site's risk profile and operating context. 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. 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. In Madagascar, where the security and human rights-related risks are considered higher, Sherritt has conducted the majority of its work on the VPSHR to date.

This report is the Company's fourth to the VPSHR Plenary and focuses primarily on initiatives carried out over the past year at Sherritt's sites in Cuba, Canada and Madagascar.

*Some highlights from 2018 include:*

- Scored 89% completion rate on external assessment of implementation of VPSHRs at Sherritt's Fort Saskatchewan refinery in Alberta, Canada.
- Launch of UNICEF's Canada's Child Rights and Security Checklist, of which Sherritt was a participant.

- First year of implementation of Towards Sustainable Mining as a member of the Mining Association of Canada, an industry association that requires its members to align their security practices with the Voluntary Principles. In 2018, we provided a summary report to MAC regarding implementation of the VPs.
- Signed a Memorandum of Understanding (MoU) with the Gendarmerie in Madagascar, which included commitments around training and awareness of the VPs.
- Continued to engage with officials in Cuba on the VPs and Towards Sustainable Mining and potential implementation at Sherritt's sites in the country.

## Reporting Content

### A. Commitment to the Voluntary Principles

#### 1. *Statement of commitment or endorsement of the Voluntary Principles*

Sherritt's President and CEO, David Pathe, asserts the Company's commitment to the VPSHR in Sherritt's Security Policy:

“As part of Sherritt's sustainability commitment, we endeavour to uphold international sustainability standards in all aspects of our business, including security. To this end, Sherritt participates as an active member of the Voluntary Principles Initiative and promotes and supports the implementation of international human rights and security-related standards and good practice at all of our operations.”

Sherritt is committed to implementing the Voluntary Principles across all of its sites. This commitment is communicated publicly in the Company's 2017 Sustainability Report, published in June 2018: <http://sustainability.sherritt.com/2017/providing-a-safe-and-rewarding-workplace/content#site-security>. Sherritt has also made all of its Annual Reports to the Voluntary Principles public.

2018 marked Sherritt's first full year as a member of the Mining Association of Canada and is implementing their Towards Sustainable Mining program. MAC member companies that rely upon private or public security forces have committed 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. Furthermore, MAC members with international mining operations will report on their implementation annually in MAC's TSM Progress Report.

#### *Engagement in the Voluntary Principles Initiative (VPI)*

Sherritt attended the Voluntary Principles Plenary in Washington D.C. in March 2018. Sherritt joined the Mining Association of Canada (MAC), a national industry association that announced a membership commitment to implement the Voluntary Principles in 2017.

Sherritt's participation in the UNICEF Canada-led Child Rights and Security Working Group established to focus on security-related impacts on children caused by the extractive sector resulted in the publishing of the Child Rights and Security Handbook in February 2018 (available here: [https://www.unicef.ca/sites/default/files/field\\_files/FINAL\\_CRIS%20Handbook%20%28ENGLISH%29\\_February%202018.pdf](https://www.unicef.ca/sites/default/files/field_files/FINAL_CRIS%20Handbook%20%28ENGLISH%29_February%202018.pdf)). This is in addition to the 2017 Child Rights and Security Checklist designed to assist governments and companies assess the degree to which their security frameworks respect children's rights.

#### *Transparency*

All MAC members that rely on private and public security forces are expected to

implement a human rights and security approach aligned with the Voluntary Principles and report on their implementation annually in MAC's Towards Sustainable Mining Progress Reports. While MAC is not requiring members with Canadian operations to implement the VPs due to Canada being a low-risk jurisdiction, Sherritt continues to implement the principles at our Fort Saskatchewan refinery. The latest TSM Report, which includes the VPs reports by members, is available here: <http://mining.ca/towards-sustainable-mining/tsm-progress-report>.

As noted, Sherritt's public Sustainability Report includes a section on site security and human rights. Sherritt elects to report Core Option against the Global Reporting Initiative (GRI), which includes indicators on grievances and human rights. This information is available at [sustainability.sherritt.com](http://sustainability.sherritt.com).

*2. Promoting awareness of the Voluntary Principles throughout the organization or government, including within the value chain*

Responsible sourcing requirements imposed by downstream customers onto both miners and refiners became much more prevalent in the last year, particularly in the cobalt industry. Leading up to the announcement of formal standards and initiatives (including the Cobalt Institute's Responsible Assessment Framework launched in early 2019), Sherritt's Sustainability department worked with Marketing and Investor Relations to ensure nickel and cobalt customers and investors had appropriate information regarding human rights and our commitment to the Voluntary Principles.

Sherritt continues to collaborate with the company's Cuban joint venture (JV) partner involved in the marketing and sale of cobalt to develop a strategic approach for meeting the growing customer requirements for demonstrating responsible production from upstream mines and refineries. Customer requirements include demonstrating that the company has adequate policies, procedures and processes in place to respect human rights throughout the supply chain, including with security providers. Such requirements provide Sherritt and its Cuban partner with additional impetus to align with the Voluntary Principles.

In Madagascar, Ambatovy convened an internal committee made up of employees from Security, Human Resources, Mine Operations, Sustainability and Supply Chain Management for the purpose of managing and enhancing security at the mine site. This group facilitates two-way communication across the division, including contractors. Ambatovy also developed a training program for suppliers and sub-contractors on UNICEF's Children Rights and Business Principles, which included creating an action plan for respecting children's rights. The first round of training was rolled out before the end of 2018 and at time of writing this report, 14 sessions had been completed with approximately 150 employees designated by Ambatovy's supplier and contractor companies participating in the sessions. They will then share the knowledge and information gained with their colleagues in a cascade manner. The rationale for delivering this training was to ensure participants understood the content of Ambatovy's management system and policies and that undue risk regarding children can and should be avoided.

### *3. Promoting and Advancing the implementation of the Voluntary Principles Internationally*

Since joining MAC, Sherritt has made a considerable effort to align its Cuban operations with MAC's Toward Sustainable Mining (TSM) requirements. These efforts continued in 2018. Sherritt's Director, Environment, Health, Safety and Sustainability made a presentation at an annual industry conference in Varadero called The International Congress of Mining and Metallurgy MINEMETAL2018, September 25-27, 2018. The presentation, which promoted the implementation of TSM, included Sherritt's commitment to the VPSHRs. As alignment with the Voluntary Principles is a MAC requirement, Sherritt hopes this will help further the conversation on the implementation of the Voluntary Principles with its Cuban partners and the Cuban government.

In Madagascar, Search for Common Ground (SFCG), a non-profit with the mission to end conflict, launched a new project to promote the VPs and increase trust and collaboration among local actors, targeting those along the mine's pipeline with funding from the British Embassy. This project is the second phase of one funded two years ago. Phase II got underway in 2018, but the majority of the work is to occur in 2019. The project includes participatory theatre and dialogue, similar to what occurred in Phase I.

In October, a staff member from Ambatovy engaged in human rights and community relations participated at the ICMM Forum on Partnerships and Collaboration for Sustainable Development in London. The President SFCG, along with Ambatovy, presented on strengthening company-community relations to build trust in a session called "Partnering to Promote Peace, Stability and Inclusive Economic Development."

In 2018, Sherritt hosted a training session sponsored by Mining Association of Canada at Ambatovy. In addition to company employees, representatives from Rio Tinto's QMM operations in the country, the ONE (Madagascar's environmental regulator) and the Chamber of Mines in Madagascar participated. In addition, Rio Tinto QMM delegation visited Ambatovy to learn about the implementation of its environmental, social and community development programmes.

Since risks to children were first identified during the construction of Ambatovy, much work has been done to ensure rights to children are protected. In 2018, Ambatovy organized four workshops on the fight against child labor in communities near the Mine (especially, children herding zebu or cattle, and pulling rickshaws in Moramanga), as part of Ambatovy's involvement with the child protection network in Moramanga.

Ambatovy also organized a community soccer tournament with communities neighboring near the Mine by the Security and CSR Departments in order to strengthen company-community relations. Approximately 11,000 people were in attendance. In addition to building strong community relationships, the tournament is an opportunity for Ambatovy to convey key messages around health and wellness, children's rights, and safety and security.

On behalf of the Northeast Region Community Awareness Emergency Response (NRCAER), the Fort Site was asked to work with the local RCMP on the development of a Security Management Plan industry best practice document for the region. NRCAER is mutual aid emergency response association whose members include emergency management professionals, pipeline companies, chemical transporters, industry and area municipalities. Fort Site Security personnel participated in the Industrial Security Intelligence initiative in May with the objective of creating an industry network to share experiences and best practices. In December, Sherritt attended the Management Team meeting for the Northeast Region Community Awareness Emergency Response group, which includes other local industry members. Sherritt presented on the Voluntary Principles on Security and Human Rights, its adoption at the local level and a summary of initiatives and efforts across the corporation.

In 2018, the Fort Site incorporated the VPs into mandatory site safety orientation for all new employees and visitors for any duration.

Sherritt is a participant in the newly formed Canada Working Group (CWG) on the VPs, which includes members from industry, NGOs, and government (GAC), MAC and a representative from the Mining Security Working Group, which met twice during the year. Most or all of the industry participants have international operations.

Sherritt's Security Advisor attended the MAC Mining Security Working Group (MSWG) in May. The overall goal of the MSWG is to create a strong network of industry professionals through sharing of experiences, best practices, and practical strategic and operational-level solutions to mining security issues.

## **B. Policies, Procedures, and Related Activities**

### *4. Relevant policies, procedures, and/or guidelines (or any changes thereof from the previous reporting year) to implement the Voluntary Principles*

Sherritt's corporate Human Rights Policy explicitly states that the Company will "ensure the security arrangements for our operations respect human rights and are consistent with the VPSHR." Sherritt's Security Policy affirms the Company's commitment to strive to create a safe and secure business environment, and conduct security operations in compliance with local, national and international legal requirements, international security standards and law enforcement principles, and in alignment with the Voluntary Principles.

Sherritt's sites work to comply with the corporate Security and Human Rights Standard, which is supported by a series of Security and Human Rights Procedures, including:

- Procedure for Entering Agreements with Private Security Service Providers
- Procedure for Entering Agreements with Public Security
- Procedure for Reporting and Investigation of Security Related Incidents
- Procedure for Use of Force

- Procedure for the Protection of Providers of Confidential Information
- Procedure for Apprehension and Transfer of Suspects to Public Custody

Sherritt's Director, Environment, Health, Safety and Sustainability, based in Sherritt's Corporate office, is responsible for the maintenance and regular review of the Procedures, and the sites are responsible for adopting the various Procedures, according to their risk profiles. Regular calls are scheduled with site Security Managers, and security KPIs, including implementation and promotion of the VPs are reported quarterly to Sherritt's Board of Directors' EHS&S Committee.

Sherritt is currently undergoing a review of its Human Rights Policy and associated standard to ensure they remain best practice and adequately demonstrate Sherritt is a responsible supplier as it pertains to human rights and security. Any amendments to the policy will be issued in 2019.

#### *5. Company procedure to conduct security and human rights risk assessments.*

Security and human rights risk assessments are conducted according to the risk profile of all sites. The risk profile of a site is determined using a set of criteria including, but not limited to: the host country's control of corruption, rule of law, political stability, and conflict situation. Located in Madagascar, Ambatovy is considered a high-risk site, while Cuba-based operations fall into the moderate-risk category and Sherritt's refinery in Alberta, Canada, is in the low-risk category. Sherritt's Security and Human Rights Standard stipulates that all high-risk sites must complete a risk assessment on an annual basis and all low- to moderate-risk sites must complete a risk assessment on a triennial basis. As part of the security and human rights risk assessment, the sites must analyze both security risks to the Company (e.g. the level of crime and violence in the area of operation), as well as human rights risks to the rights holders (e.g. the history of abuse of human rights by security forces).

No human rights and security risk assessments were carried out Ambatovy or in Cuba in 2018. In 2019, a risk assessment is scheduled. This is in support of new, external responsible supply chain initiatives that are newly launched or forthcoming. In October 2018, an external third-party conducted an independent assessment of the policies, procedures, and practices used by Sherritt's Fort Saskatchewan refinery to verify that the systems comply with the requirements of the Voluntary Principles on Security and Human Rights (VPSHR) and UNICEF's checklist on Security and Children's Rights. The assessment also evaluated in a qualitative manner the risk faced by the Fort Site in the areas of security-related human rights and community relations insofar as this area may affect the security-related human rights risk profile of the company.

Security at a mine site/refinery is a function of three elements:

1. the physical security provided by the security or asset protection departments;
2. the overall relationship with the surrounding communities; and,
3. the overall respect for the rule of law and the strength of institutions that enforce the law (i.e., public security, the judicial system) within the particular area or country where the mine/refinery is located.

Overall the Fort has made significant advancements in implementing the VPSHR on

site since the baseline assessment in 2013. The site scored 89% completion rate. Section C.13 includes more information on the results of the assessment.

One recommendation was made that pertains to risks assessment for the Fort Site. While the assessment included an analysis of the country and community risk profile, and for a refinery in Canada the risk remains low, the Fort Site would benefit from an updated risk assessment of potential scenarios that could arise on site (like a disgruntled worker, for example) to identify current or needed measures in place to reduce the likelihood of security officers committing a human rights violation while managing the situation.

*6. Company process for recording and reporting credible allegations of security related incidents with human rights implications by public or private security forces*

All Sherritt sites are required to adopt the Company's Procedure for Reporting and Investigation of Security Related Incidents. The Procedure includes a classification of security incident levels (from levels 1-5, with 5 being the most critical). Allegations of human rights-related violations fall into incident levels 4 and 5 and require immediate notification to Security Management, the Site General Manager, Country Manager/Director, Divisional Vice President, site and corporate Legal Counsel and the Executive Leadership team. Host government authorities must be notified immediately in the case of a fatality, an injury and/or property damage. Similarly, any allegation of a security and human rights violation involving public security on site must be documented and reported to authorities.

Sherritt's security and human rights training program includes instruction on how to report a human rights risk or violation. Employees may report to their immediate supervisor, to Human Resources, or through anonymous telephone or electronic reporting mechanisms. External stakeholders can lodge complaints, including potential human rights violations, through Sherritt's local grievance mechanisms. At Ambatovy, there is a formal community grievance mechanism in place that includes an external grievance committee, comprising respected members of local communities. The committee meets quarterly to review the grievance management process and resolutions, and to provide feedback and suggestions for improvement to management. In addition, the existing Security Convention between the Ambatovy Joint Venture and the Gendarmerie Nationale of Madagascar outlines the grievance process for allegations of human rights abuse affecting the site. Reporting of allegations may be made directly to security management or any other responsible party and an investigation will be conducted.

In 2018, the drafting of the grievance mechanism that was initiated in 2017 at the Fort Site was finalized. It will be rolled out site-wide in 2019. The mechanism aligns with Sherritt's Grievance Mechanism Standard. The 2019 roll-out and training will include making external stakeholders aware of its existence and promoting its use.

In Cuba, there is a state-run system where citizens can file complaints against an entity, organization or enterprise whose activities they feel are adversely affecting their well-being. Commissions are set up to investigate grievances and develop action

plans to address them.

*7. Company procedure to consider the Voluntary Principles in entering into relations with private security providers.*

Sherritt contracts security officials and/or private or public security providers at its sites in Canada, Cuba and Madagascar. In Canada, the Fort Saskatchewan site is licensed by the Alberta Solicitor General to operate a private security force, comprised of Sherritt employees whom hold security licenses, and contracts a private third-party security provider. In Madagascar, Ambatovy has full-time security staff and has contracts with four separate private security providers to provide services to the processing plant and refinery, the mine site, and related facilities. In addition, Ambatovy receives support from Malagasy public security forces, including the Gendarmerie, the Police and the Military. In Cuba, security is provided by a state-owned security company, with management oversight.

Due to the various security arrangements of its sites, Sherritt has established procedures for entering into agreements with both private and public security. These procedures include specific contractual requirements, such as compliance with Company policies and procedures, relevant host country laws and regulations, international codes of conduct for law enforcement officials and the VPSHR.

Sites with private security (either in-house or contractor) are required to demonstrate that security personnel have been screened (to the extent possible) for past human rights' abuses and criminal records, and trained on security and human rights and the use of force. Sites must also take measures to ensure the proper handling and storage of security equipment. To ensure compliance in these areas, sites are required to measure and report on contractor performance on an annual basis, using a set of agreed-upon key performance indicators.

Sites with public security providers must take measures to ensure that public security administration does not assign public security officers who have been subject to credible allegations or violations of human rights to the sites. Such measures include contractual requirements and the tracking of personnel assigned to the site. Sites must also seek proof of human rights and use of force training completed by personnel assigned to the site. Where training is viewed as inadequate, the sites must provide support for training in these areas. Under no circumstances are sites to transfer lethal equipment to public security and the transfer of non-lethal equipment must be made under an explicit set of conditions regarding how the equipment should be stored, handled and used.

*8. Company procedure or mechanism to address security-related incidents with human rights implications by public/private security forces relating to the company's activities.*

Sherritt has a zero-tolerance policy for security and human rights-related violations at its sites and takes measures to enforce its policies and procedures to avoid such violations from occurring. In the event of an allegation of a human rights violation involving public or private security personnel, a complete internal investigation must

be conducted to understand what occurred, the potential liabilities, what controls are in place and what additional controls are needed to prevent a similar incident from occurring in the future. Corporate Legal Counsel will assign an investigation team comprised of departments that are not directly involved in the incident. In cases involving public security, the Company will advocate for an external investigation and subsequently follow up on the findings.

There were no other allegations of human rights and security-related violations at any of the Sherritt sites in 2018.

## **C. Country Implementation**

### *9. Overview of country operations selected for reporting.*

Sherritt's Oil and Gas, and Power (OGP) operations in Cuba, the Moa Joint Venture in Fort Saskatchewan, AB, Canada (Fort Site) and Cuba (Moa), and the Ambatovy Joint Venture in Madagascar are included as part of this report.

### *10. Engagements with stakeholders on country implementation.*

As mentioned in sections A.2 and A.3., Sherritt engaged with the Cuban government to promote the implementation of the Voluntary Principles in Cuba.

In Madagascar, Ambatovy continues to partner with Search for Common Ground (as referenced in section A.3) to improve communication and dialogue between Ambatovy and its communities of impact, and to promote the UN Guiding Principles on Business and Human Rights and the Voluntary Principles with stakeholders in Madagascar.

In Canada, Sherritt continues to participate in the UNICEF Canada-led Child Rights and the Security Working Group to help identify, prevent and mitigate security related impacts on children in the extractive sector. See section A.1 for additional information.

### *11. Voluntary Principles considerations in the selection of private security providers and formulation of contractual agreements with private security providers, as well as an arrangement with public security forces.*

As detailed above, Sherritt has specific procedures on entering agreements with private and public security. For information on the selection of security contractors and formulation of associated contractual agreements, please see B.7.

Ambatovy's contracts with its private security providers include required compliance with the Voluntary Principles. A new contract was signed in 2018 and the Voluntary Principles were incorporated including outlining clear expectations regarding training and screening requirements.

In 2018, Ambatovy formalized a Memorandum of Understanding with Madagascar's Gendarmerie Nationale, in line with the Voluntary Principles requirements for security arrangements with public security providers.

In Canada, Sherritt's Fort Saskatchewan site has an agreement in place with its private security provider, which incorporates the requirements of Sherritt's Procedure for Entering into Agreements with Private Security Providers. This includes a provision for the ongoing identification of training programs that will meet site level needs and Voluntary Principles requirements. It should be noted that training programs were already quite comprehensive. Applicants for a security-workers license in Alberta must successfully complete a mandatory training course or provide proof of equivalent training in order to qualify for a security license. Training includes a module on the Canadian Charter of Rights and Freedoms, arrest, search and seizure, the Criminal Code of Canada, and the use of force.

The Fort requires that all of its Security guards (both employees and contractors) be licensed with the Solicitor General, as per Alberta law. The Alberta Solicitor General's licensing requirement mandates all Security personnel have a criminal record check completed with local law enforcement. This check includes the local database, Canadian Police Information Centre and the Vulnerable Sector. In 2018, the licenses for all employee and contractor guards (including spares) were current.

The Fort Saskatchewan site requires that all guards be licensed with the Alberta Solicitor General as per Alberta's provincial law. The Alberta Solicitor General's licensing requirement mandates that all security personnel have a criminal record check completed every two years.

Sherritt's Cuban operations have yet to incorporate specific VPSHR-related requirements into the contract with its security provider. The incorporation of any VPSHR-related requirements into the working arrangement with the state-owned security provider in Cuba will first require awareness building around the VPSHR with the Sherritt's state-owned joint-venture partners and the Cuban government, more broadly. Such outreach efforts began in 2016. Sherritt will continue to work to meet directly with the state-owned security provider in Cuba to discuss the Voluntary Principles, with the initial focus in the country being on the implementation of TSM.

*12. Examples of supporting outreach, education, and/or training of (i) relevant personnel, (ii) private security, (iii) public security, and/or (iv) civil society (e.g., local NGOs, community groups).*

Ambatovy and Fort Saskatchewan both require their security contractors to train personnel prior to sending them to the sites. In the case of Fort Saskatchewan, the security contractor must ensure security officers have completed security officer training that includes use of force principles and guidelines. In addition, the site provides annual refresher training on security and human rights.

At the Fort Site, all permanent security guards (employee and contractor) receive the VPSHR and Use of Force induction training prior to beginning work on site. The site also provided all of its guards with a two-day Verbal Judo/Tactical Communications Course that included techniques to de-escalate situations and avoid violent confrontations in 2018. This training aligns with the "Procedure for Use of Force", and represents the second stage in the Use of Force Model (Canadian Correctional

Services). The two-day training is based on the VPSHR training developed for VPSHR members by the VPs Training Project Group, with representatives from Barrick, Rio Tinto, Fund for Peace, Search for Common Ground, PACT, the Canadian and US governments, IFC, ICRC, and DCAF. It is a comprehensive course that includes: 1) VPSHR framework; 2) Ethics and Human Rights; 3) Roles and responsibility of security personnel; and 4) Human rights and use of force. The third-party assessor in 2018 indicated the Verbal Judo course was effective, based on guards demonstrated understanding of how to de-escalate a situation with dialogue. They also demonstrated a good understanding of how to report a violation of someone's rights or misconduct. The Security Advisor is looking to provide guards with a more advanced training on the powers of arrest, use of force, and the criminal code of Canada. He has also requested that the guards prepare presentations on the VPHSR and deliver it back to the team. This activity should help to improve overall comprehension of the Voluntary Principles among security guards.

At Ambatovy, the security provider conducts training on human rights, the Voluntary Principles and the use of force prior to sending guards to site. Site security personnel also receive annual refresher training on the Voluntary Principles. In 2018, Ambatovy provided Advanced Criminal Investigation Training to the Gendarmerie to improve investigative skills into security incidents and fraud. The Security Manager, or designate, holds monthly meetings with the Commandant of the Gendarmerie at which the Voluntary Principles are discussed. The site engaged with the Gendarmerie's command to discuss awareness raising of use of force procedures with the Gendarmes. Ambatovy has sponsored a number of third-party training workshops on the Voluntary Principles for public security in the past, and is looking to work with the ICRC to organize two to three large training sessions a year with representatives of the gendarmerie, police, civil society and other groups interested in security and human rights issues for 2019.

During the year, Ambatovy restructured the security department on site in order to improve the effectiveness and efficiency of security operations. Basic skills continued to be reinforced through drills and field training.

In November 2018, Sherritt convened a working session of Sustainability personnel across the business, including representatives from all sites and Cuban employees from Sherritt's JV partner at Moa. During the session, a number of sustainability related topics were discussed, including Sherritt's performance on human rights, the implementation of TSM, and a presentation given by UNICEF Cuba regarding development priorities in the country featuring a partnership between the organization and the company regarding community safety (pertaining to roads). Sherritt continues to have limited ability to influence the adoption of the VPs or the training provided to the site's state-owned security contractor; however, we will continue to build awareness about the Voluntary Principles with our Cuban partners and relevant authorities, as appropriate. Given the increasing requirements by customers and others to provide related performance data and management practices, this will be a broader topic of interest for the Joint Venture into 2019.

*13. Company procedure to review progress on implementing the Voluntary Principles at local facilities.*

In 2016, Sherritt developed standardized tools for conducting a site-level gap analysis against the company's Security and Human Rights Standard and implementing plans to address identified gaps. These tools were rolled out to the sites as part of Sherritt's broader Sustainability Framework Implementation Plan for designing and implementing company-wide minimum standards across sustainability-related functions, including security and continue to be in use. In 2019, subject to any amendments to the policy and/or standard, the gap analysis will be updated and re-issued.

In 2018, Sherritt commissioned an external audit of the implementation of the VPs at the Fort Site, as five years had passed since the original baseline assessment and beginning of implementation. Avanzar conducted an independent assessment of the policies, procedures, and practices used by the Fort Site to verify that the systems comply with the requirements of the Voluntary Principles on Security and Human Rights (VPSHR) and UNICEF's checklist on Security and Children's Rights. The assessment also evaluated in a qualitative manner the risk faced by the Fort in the areas of security-related human rights and community relations insofar as this area may affect the security-related human rights risk profile of the company.

Overall it was found that the Fort Site has made significant advancements in implementing the VPSHR on site since the baseline assessment in 2013, achieving a completion score of 89%, as indicated in section C.5.

One area that could help to strengthen the management and implementation of the VPSHR on site is the incorporation of security and human rights related responsibilities in security personnel's job descriptions and performance objectives. This helps to ensure accountability for implementing recommended actions to further align with the VPSHR. There is currently nothing in Security personnel's job descriptions specifically related to the implementation of the VPSHR. At the time of the assessment the job descriptions were under review and will be updated to satisfy this finding in 2019.

The risk of private security committing a human rights violation while on duty at the Fort Saskatchewan site is low for a number of reasons: 1) There are strict regulatory requirements in place in Alberta that require screening and training for private security guards; 2) the Security Officers at Fort Saskatchewan are unarmed; and 3) the role of the Security Officers is to monitor and inform of any problems and contact the RCMP should there be any acts of violence or need to arrest on site.

An area of particular strength at the Fort is screening. The Fort requires that all of its Security guards (both employees and contractors) be licensed with the Solicitor General, as per Alberta law. The Alberta Solicitor General's licensing requirement mandates all Security personnel have a criminal record check completed with local law enforcement. This check includes the local database, Canadian Police Information Centre and the Vulnerable Sector. The assessor sighted the licenses for all employee and contractor guards (including spares) and all were current.

One area of notable improvement since the 2013 assessment is the inclusion of compliance with Sherritt's Security Policy and Human Rights Policy.

The Fort has an excellent relationship with the RCMP and has engaged them on the VPSHR on various occasions. The site has included information on the VPSHR in presentations made to the RCMP and has reached out the RCMP to assist with future guard training on active shooter scenarios, the criminal code of Canada and citizen's arrest. As noted in Section A.3 the Fort Site, through NRCAER, worked with the RCMP on the development of a Security Management Plan for the region. Work will continue on the development of this plan into 2019.

The Fort Saskatchewan site has been in operation for 60 years and thus is well known in the community. The site has established and maintained good relations with the surrounding community through its involvement in the NRCAER, the NE Capital Industrial Association (NCIA), and the Chamber of Commerce.

In 2017 the site carried out a public consultation program as part of its Environmental Protection and Enhancement Act (EPEA) approval for renewal of the Fort's plant. The consultation was designed to identify and address any concerns raised by external stakeholders on an ongoing basis. The purpose of the engagement was also to make sure that Sustainability was responding to the concerns the community may have and to get a sense of salient issues. Over 400 people interacted with Sherritt and provided feedback. No concerns were raised about security at the Fort. According to the Sustainability Manager, the Fort responded to every stakeholder who contacted the Fort via email, phone or in person or wrote a concern on the tablet during the public perception survey. This response will certainly help to maintain the community's trust in the site going forward.

Sherritt has made a commitment to integrate UNICEF's checklist on Security and Children's Rights in its security and human risk assessments. Sherritt's Human Rights Policy commits to "Respect and treat children as human beings with a distinct set of rights in alignment with the *Convention on the Rights of the Child*."

In practice, the Fort mitigates the risk of infringing upon the rights of the child through its screening practices and by outlining special care that should be taken when apprehending minors. All guards on site are required to go through a vulnerable sector check as part of their criminal background check. The vulnerable sector check is a police information check to see if an individual has a record suspension (pardon) for sexual offences. Vulnerable sector checks were created in 2000 to protect children and vulnerable persons and is governed by section 6.3(3) of the *Criminal Records Act*.

Sherritt's procedure on the apprehension and transfer of suspects to public security has a specific procedure outlined for children, which is included in training at the Fort Site. It includes the following: Special care should be taken when apprehending children, specifically:

1. Restraint of a child should be avoided
2. Children should not be left in the company of a co-offender if that person is an adult
3. Children should not be left unattended and should be provided with a safe and secure environment until released to their parents or to the police station

4. Children should not be detained longer than is required to place them in safe care and custody of family or relatives or, if necessary, the custody of police.

The site communicates with the community about emergency response due to the community's close proximity to industrial sites. As part of this communication they do outreach with schools where they teach children about actions to take in case of an emergency. Thus far there has not been any engagement with the children about security at the Fort; however, these communication sessions could provide a forum for the site to communicate its commitment to human rights, respect for the community's safety and security, and how to lodge a complaint related to the site.

## **D. Lessons and Issues**

### *14. Lessons learned from 2018 and plans for 2019 implementation*

2018 marked five years of implementation of the VPSHR implementation in Canada and Madagascar. Overall, Sherritt is pleased with the uptake of this important initiative at the site level and the year-over-year improvement in both security performance and engagement in the VPSHRs. Despite the low-risk of security-related human rights issues in Canada, the Fort Site has demonstrated the value of the initiative in this environment, while Ambatovy continues to manage risks effectively.

Collaborating with local partners like NRCAER and global organizations like the United Nations, SFCG and the ICRC continues to be meaningful for Sherritt's sites. As we continue to operate in a commodity market that is difficult to predict, leveraging existing programs, relationships and other initiatives has been helpful and will continue to be.

Targeting internal networks to ensure the VPSHR are adopted, communicated, and understood throughout the business was another focus of 2018 that will continue into 2019, particularly in a business context where customer interest in this topic is increasing.

Adoption of the VPSHR in Cuba will continue to progress slowly, and as noted throughout this report both Sherritt's adoption of TSM and increased customer interest in human rights are likely to create a more robust business rationale for their implementation. Sherritt remains committed to implementation at its Cuba operations.

Over the last two years, Ambatovy and the Fort Site have administered the renegotiation of an existing security contract or sourced a new contractor for security. This experience, with the guidance of the VPs, is valuable to build strong agreements that prioritize human rights and set out clear expectations.

Identifying the need and benefit of training contractors and suppliers in human rights for the purposes of risk management was borne out during the year and is expected to continue.

Specific plans to strengthen the VPSHR implementation at Sherritt in 2019 include:

### *Ambatovy*

- Intending to organize a workshop or informational seminar to promote the VPs to the Government of Madagascar and continue to promote the VPs to Chamber of Mines membership.
- Work with the ICRC to organize two to three large training sessions a year with representatives of the gendarmerie, police, civil society and other groups interested in security and human rights issues.
- Roll-out a Train-the-Trainer course on human rights for the Gendarmerie.
- Support community policing initiatives, including training and information sessions that raise awareness about the VPs.
- Continue to foster effective collaboration between Security and Sustainability departments on community engagement efforts.
- Continue partnering with Search for Common Ground on community engagement, conflict diagnostics, and trust building with communities of impact.

### *Fort Saskatchewan*

- Assess the audit report from the 2018 Voluntary Principles site assessment to prioritize addressing gaps and areas for improvement, as appropriate.
- Finalize the roll-out of the site-level grievance mechanism that began in 2018.
- Continue participation in working groups.
- Computer based training topics planned for security personnel in 2019 include:
  - Cultural awareness
  - Communications skills
  - Conflict resolution
  - Threat awareness
  - Report writing
- Explore additional training opportunities for Security personnel on Power of Arrest and a refresher training on the Use of Force.
- Complete a tabletop exercise with the local Royal Canadian Mounted Police (RCMP) on an active shooter scenario.
- Present on the Voluntary Principles at the Edmonton Security Intelligence meeting and Alberta Industrial Fire Emergency Management Association.
- Formally roll out the grievance mechanism that was developed alongside in 2017.

### *Cuba*

- Sherritt management will continue to engage with the Canadian Embassy, the Company's joint-venture partners and the state-run security provider on the Voluntary Principles to identify opportunities for implementation in Cuba.
- Continue to initiate a pilot implementation of MAC's Towards Sustainable Mining Program at the Moa Joint Venture.

### *Corporate*

- Sherritt will continue to participate in the UNICEF Canada-led Child Rights and Security Working Group.
- Sherritt will participate in the Voluntary Principles Plenary meeting in 2019.

- Sherritt Corporate will support third-party assessments and application of new responsible mining and refining standards and initiatives of Sherritt's nickel and cobalt mines and refineries against requirements of downstream cobalt customers.
- Sherritt commits to supporting and participating in multi-stakeholder security related initiatives that aim to further promote the Voluntary Principles in Canada and internationally, including the Canada Working Group on the VPs.
- Sherritt will undertake a review of its human rights and security related global policies and standards, and update as required.