



**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
AND  
MANAGEMENT INFORMATION CIRCULAR  
OF  
SHERRITT INTERNATIONAL CORPORATION**

**May 5, 2017**

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May 5, 2017

Dear fellow shareholders,

On behalf of the Board of Directors and the management of Sherritt International Corporation, I invite you to attend the annual meeting of shareholders being held at Roy Thomson Hall 60 Simcoe St, Toronto, Ontario on June 13, 2017 at 10:00 a.m. (Toronto time).

The annual meeting is your opportunity to exercise your voting rights and meet with the Board of Directors and the management team of Sherritt.

Six of the eight current Sherritt directors and one new nominee, John Warwick, are standing for election at the annual meeting. Both Dee Marcoux and I will not be standing for re-election. Ms. Marcoux has served on the Sherritt Board since 2005 and her contributions will be greatly missed. I have had the privilege of serving as the Chairman of the Sherritt Board since 2013 and on the Sherritt Board since May 2012 and will always value the relationships that I have formed with management and my fellow directors in helping to steer the Corporation through a variety of challenges and opportunities over the past five years. Following the formal business of the meeting, David Pathe, our CEO, will review Sherritt's performance in 2016 and share with you our plans for the future. Should you have questions about our past performance or future direction, this is an excellent forum to seek answers. Should you be unable to attend the meeting in person, we urge you to vote your shares in advance of the meeting by delivering your completed proxy or voting instructions as explained in the accompanying Management Information Circular.

If you require additional information, please visit the investor relations section of our website at [www.sherritt.com](http://www.sherritt.com). Also available online is Sherritt's Annual Information Form for the year ended December 31, 2016, Sherritt's annual audited financial statements for the year ended December 31, 2016 and related management's discussion and analysis, as well as other useful information.

Last year we brought greater focus and discipline to the business, and delivered results against our strategic priorities for the year in order to significantly lower costs and protect our liquidity. In the face of difficult business conditions and weak commodity markets, we would like to thank you for your continued support. Our management team continues to execute upon its goal of being an even more focused and lower-cost nickel company, and we look forward to continued success for our company in 2017 and beyond.

Sincerely,

A handwritten signature in black ink that reads "H. Stephen".

Harold (Hap) Stephen  
Chairman  
Sherritt International Corporation



## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting (the "**Meeting**") of shareholders (the "**Shareholders**") of Sherritt International Corporation (the "**Corporation**" or "**Sherritt**") will be held at Roy Thomson Hall, 60 Simcoe St, Toronto, Ontario on June 13, 2017 at 10:00 a.m. (Toronto time).

### BUSINESS OF THE MEETING

At the Meeting, Shareholders will be asked to:

1. receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2016, together with the report of the external auditor thereon;
2. re-appoint the external auditor for the ensuing year and authorize the directors to fix the external auditor's compensation;
3. consider the following non-binding advisory resolution: "resolved, on an advisory basis and not to diminish the roles and responsibilities of the Board, that the Shareholders accept the approach to executive compensation disclosed in the Circular";
4. elect directors; and
5. transact such other business, if any, as may properly come before the Meeting or any adjournment or postponement thereof.

The accompanying Circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this Notice of Annual Meeting.

The Board of Directors has fixed April 18, 2017 as the record date (the "**Record Date**") for the Meeting. Only Shareholders of record at the close of business on the Record Date are entitled to vote at the Meeting or any adjournment or postponement thereof.

Your vote is important regardless of the number of common shares of the Corporation you own.

**All proxies must be received by 10:00 a.m. (Toronto time) on Friday, June 9, 2017** and, if the Meeting is adjourned or postponed, no later than 10:00 a.m. on the date (excluding Saturdays, Sundays and holidays) preceding the date of an adjourned or postponed Meeting.

Late proxies may be accepted or rejected by the Chairman of the Meeting at his discretion and the Chairman of the Meeting is under no obligation to accept or reject any particular late proxy. The time limit for deposit of proxies may be waived or extended by the Chairman of the Meeting at his discretion without notice.

If you have any questions about the information contained in the Circular or require assistance to complete your proxy, please consult your professional advisor or contact the Corporation's strategic shareholder advisor and proxy solicitation agent, Kingsdale Advisors by toll-free telephone in North America at 1-800-749-9197 or collect call outside North America at 416-867-2272, or by email at [contactus@kingsdalesadvisors.com](mailto:contactus@kingsdalesadvisors.com).

DATED at Toronto, Ontario, this 5<sup>th</sup> day of May, 2017.

By Order of the Board of Directors

*"Ward Sellers"*

Ward Sellers  
Senior Vice President, General Counsel &  
Corporate Secretary

## SHERRITT MANAGEMENT INFORMATION CIRCULAR — QUESTIONS AND ANSWERS

Please refer to the accompanying Management Information Circular (the “**Circular**”) for definitions of uppercase terms not otherwise defined herein.

### **Q: What am I being asked to vote on at the Meeting?**

A: The Meeting is being held to consider the ordinary annual business of the Corporation, including the election of directors and the re-appointment of auditors. Shareholders are also being asked to vote on an advisory (non-binding) resolution regarding executive compensation, often referred to as a “Say-on-Pay” resolution (the “**Say-on-Pay Resolution**”).

### **Q. What does the Board recommend?**

A. Sherritt’s Board unanimously recommends that Shareholders use their proxy to vote as follows:

- **FOR** the reappointment of auditors named in the Circular and the authorization of the directors to fix remuneration of the auditors;
- **FOR** the Say-on-Pay Resolution; and
- **FOR** the Sherritt Nominees (as defined below) named in the Circular for election to the Board.

Please read the section of the Circular entitled “*Business of the Meeting*” for more information.

### **Q. What if I can’t attend the Meeting in person?**

A. If you cannot attend the Meeting in person please ensure that the enclosed proxy is received by either Sherritt’s transfer agent, CST Trust Company, or Sherritt’s proxy solicitation agent, Kingsdale Advisors (“**Kingsdale**”) by **10:00 a.m. (Toronto time) on Friday, June 9, 2017** to ensure your Shares are voted at the Meeting. The proxy includes instructions as to how you may vote by mail, telephone, fax or via the internet. The Chairman of the Meeting may waive this cut-off time at his discretion without notice.

### **Q. Who is soliciting my proxy?**

A. The Board and management of Sherritt are soliciting the proxy for use at the Meeting. In connection with this solicitation, the Board and management of Sherritt have provided this Circular.

### **Q. How will the solicitation be made?**

A. The solicitation will be made primarily by mail. In addition to the solicitation of proxies by mail, directors and officers and certain employees of the Corporation may solicit proxies personally by telephone or other telecommunication but will not receive additional compensation for doing so. The Corporation has also engaged Kingsdale to provide strategic shareholder advisory services and as proxy solicitation agent for the Meeting and will pay fees of approximately \$30,000 (plus certain out-of-pocket expenses) to Kingsdale for the proxy solicitation service. The Corporation may also reimburse brokers or other persons holding Shares in their name or in the name of their nominees for costs incurred in sending proxy materials to their principals or beneficial holders in order to obtain their proxies.

Shareholders can contact Kingsdale either by mail at Kingsdale Advisors, The Exchange Tower, 130 King Street West, Suite 2950, P.O. Box 361, Toronto, Ontario M5X 1E2, by toll-free telephone in North America at 1-800-749-9197 or collect call outside North America at 416-867-2272, or by e-mail at [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com).

### **Q. What documents have been sent to Shareholders?**

A. In addition to the accompanying Notice of Meeting and Circular, Shareholders have been sent a proxy or voting instruction form (“**VIF**”) and a request for financial statements form. Copies of these documents (other than the VIF) are available under Sherritt’s profile at [www.sedar.com](http://www.sedar.com) and on Sherritt’s website at [www.sherritt.com](http://www.sherritt.com).

### **Q. When do I submit my proxy?**

A. In order to be valid and acted upon at the Meeting, your proxy must be received **no later than 10:00 a.m. (Toronto time) on Friday, June 9, 2017** or no later than 10:00 a.m. on the date (excluding Saturdays, Sundays and holidays) preceding the date of an adjourned or postponed Meeting. The time limit for depositing proxies may be waived or extended by the Chairman of the Meeting at his discretion without notice.

**Q. How many Shares are eligible to vote?**

A. The number of Shares outstanding on the Record Date (as set forth in the accompanying Notice of Meeting) will be equal to the number of eligible votes. On the Record Date, the Corporation had 294,589,156 Shares outstanding. Shareholders are entitled to one vote in respect of each Share held on those items of business identified in the accompanying Notice of Meeting.

**Q. What is the quorum for the Meeting?**

A. A quorum is two or more persons present in person and entitled to vote at such meeting holding or representing by proxy not less than 25% of the votes entitled to be cast at such meeting.

**Q. Are there any Shareholders who hold more than 10% of the Shares?**

A. To the knowledge of the directors and executive officers of the Corporation, no one person or entity beneficially owns or exercises direction or control over, directly or indirectly, more than 10% of the Shares, except for Foyston, Gordon & Payne Inc., which has publicly disclosed that, acting in its capacity as an investment advisor to a number of pooled investment funds and managed accounts, it exercises control and direction over an aggregate of 36,946,593 Shares, representing 12.7% of the issued and outstanding Shares as at April 18, 2017.

**Q. Who will count the votes?**

A. Votes will be counted and tabulated by CST Trust Company, the Corporation's transfer agent. Proxies are referred to Sherritt only in cases where a Shareholder clearly intends to communicate with management, the validity of the proxy is in question or where it is necessary to do so to meet the requirements of applicable law.

**Q. Who can vote at the Meeting?**

A. If you held Shares at the close of business on Tuesday, April 18, 2017, you are eligible to vote your Shares in respect of the matters to be acted on (as noted in the accompanying Notice of Meeting) at the Meeting.

Each Share is entitled to one vote. If your Shares are held in the name of a bank, intermediary or broker (a "**Nominee**"), please see the instructions below under the heading "*Appointment of Proxies and Voting Instructions — Beneficial (Non-registered) Shareholder Voting*" on page 5 of the Circular.

**Q. How do I determine what type of Shareholder I am?**

A. There are several steps you must take in order to vote your Shares at the Meeting. For the purpose of voting at the Meeting, you must first determine what type of Shareholder you are: a Registered Shareholder or a Beneficial (Non-registered) Shareholder.

*Registered Shareholder:* You are a "Registered Shareholder" if your Shares are held in your personal name and you are in possession of a share certificate that indicates the same.

*Beneficial (Non-registered) Shareholder:* The majority of Shareholders are non-registered. You are a "Beneficial (Non-registered) Shareholder" if your Shares are:

- held in the name of a Nominee;
- deposited with a bank, a trust, a brokerage firm or other type of institution, and such Shares have been transferred out of your name; or
- held either (a) in the name of the intermediary that the Shareholder deals with (being securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as CDS) with which your Nominee deals.

Follow the steps in the appropriate category below once you have determined your Shareholder type. Please note that only Registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting.

**Q. How can a Registered Shareholder vote?**

A. If you are a Registered Shareholder, you may vote in person or by submitting your proxy as follows:

**By Mail:** by completing, signing, dating and returning the enclosed proxy to the Corporation's transfer agent:

CST Trust Company  
Attention: Proxy Department  
P.O. Box 721  
Agincourt, Ontario  
M1S 0A1

**Online:** by visiting [www.cstvotemyproxy.com](http://www.cstvotemyproxy.com) and following the instructions. Please have the 13 digit control number on the enclosed proxy available as you will be prompted to enter this number for identification purposes.

**By Telephone:** by dialing 1-888-489-7352 from a touch-tone phone and following the voice instructions. Please have the 13 digit control number on the enclosed proxy available as you will be prompted to enter this number for identification purposes.

**By Fax:** by completing, signing, dating and returning the enclosed proxy to CST Trust Company at (416) 368-2502 or 1-866-781-3111.

**In Person:** If you are able to join us in person for the Meeting, and wish to vote your Shares in person, you do not need to complete and return the enclosed proxy. Before the official start of the Meeting on June 13, 2017, please register with the representatives(s) from CST Trust Company, which will be acting as scrutineer at the Meeting, who will be situated at a welcome table just outside the room in which the Meeting will be held. Once you are registered with CST Trust Company, your vote will be requested and counted at the Meeting.

Proxies must be received **no later than 10:00 a.m. (Toronto time) on Friday, June 9, 2017**, or, if the Meeting is adjourned or postponed, no later than 10:00 a.m. on the date (excluding Saturdays, Sundays and holidays) preceding the date of an adjourned or postponed Meeting. Please note that your vote can only be counted if the person you appointed attends the Meeting and votes on your behalf and the proxy has been properly completed and executed.

The Shares will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the Shares will be voted accordingly.

**Q. How can a Beneficial (Non-registered) Shareholder vote?**

A. If your Shares are not registered under your name, they will likely be registered under the name of your broker or an agent of that broker (the "**Intermediary**"). Each Intermediary has its own procedures; please follow them carefully to ensure that your Shares are voted at the Meeting according to your instructions.

**Beneficial (Non-Registered) Shareholders, including both Non-Objecting Beneficial Owners ("NOBO") and Objecting Beneficial Owners ("OBO") may vote in the following ways:**

**Online:** by visiting [www.proxyvote.com](http://www.proxyvote.com) and following the instructions.

**By telephone:** by dialing the applicable number set out below and following the instructions

Canadian NOBO/OBO Shareholders: 1-800-474-7493 (English) or 1-800-474-7501 (French).

US NOBO/OBO Shareholders: 1-800-454-8683.

**In Person:** if you are able to join us in person for the Meeting, and wish to vote your Shares in person you may do so by either (i) inserting your own name in the space provided on the enclosed VIF or form of proxy provided by your Nominee or (ii) submitting any other document in writing to your Nominee that requests that the Beneficial (Non-registered) Shareholder or nominees thereof should be appointed as proxy. Then, follow the signing and return instructions provided by your Nominee. If you do not properly follow the return instructions provided by your Nominee, you may not be able to vote such Shares. Before the official start of the Meeting on June 13, 2017, please register with the representatives(s) from CST Trust Company, who will be situated at a welcome table just outside the Meeting room. Once you are registered with CST Trust Company, and, provided the instructions you provided to your Nominee have been forwarded by your nominee to CST Trust Company, your vote will be requested and counted at the Meeting.

Additionally, Sherritt may use Broadridge Financial Services ("**Broadridge**") QuickVote™ service to assist non-registered shareholders with voting their shares. Non-registered shareholders may be contacted by Kingsdale to conveniently obtain voting instructions directly over the telephone. Broadridge then tabulates the results of all of the

instructions received and then provides the appropriate instructions respecting the shares to be represented at the Meeting.

Late proxies from non-registered holders may be accepted or rejected by the Chairman of the Meeting at his or her discretion, and the Chairman of the Meeting is under no obligation to accept or reject any particular late proxy. The time limit for deposit of proxies may be waived or extended by the Chairman of the Meeting at his or her discretion, without notice.

If you have any questions or need assistance completing your proxy or VIF, please call Kingsdale Advisors at 1-800-749-9197 toll-free in North America, collect at 416-867-2272 outside of North America, or email at [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com).

**Q. How do I appoint someone else to vote for me?**

- A. If you are not able to attend the Meeting in person, or if you wish to appoint a representative to vote on your behalf, you have the right to appoint a person or entity, who may or may not be a Shareholder of the Corporation, to attend and represent you at the Meeting and vote on your behalf. You do this by appointing them as your proxyholder as described below.

Use the accompanying form of proxy or another proper form of proxy. The persons named in the accompanying proxy are officers of the Corporation and are nominees of management. You can choose to have management's appointee vote your Shares or may appoint a person or entity (who need not be a Shareholder of the Corporation) of your choice by striking out the printed names and inserting the desired person's name and address in the blank space provided. Complete the balance of the proxy, sign it and return it to CST Trust Company at the address indicated above. Please note that your vote can only be counted if the person you appointed attends the Meeting and votes on your behalf and the proxy has been properly completed and executed.

You may not vote both by proxy and in person. If you have voted by proxy, you will not be able to vote your Shares in person at the Meeting, unless you revoke your proxy (see "*Appointment of Proxies and Voting Instructions — Registered Shareholder Voting — Revoking your Proxy*" on page 5).

**Q. How will my proxy be voted?**

- A. If either Mr. David Pathe or Mr. Andrew Snowden, management's nominees as indicated on the enclosed proxy, are appointed as your proxyholder, and you do not specify how you wish your Shares to be voted, your Shares will be voted as follows:

- **FOR** the reappointment of auditors named in the Circular and the authorization of the directors to fix remuneration of the auditors;
- **FOR** the Say-on-Pay Resolution; and
- **FOR** the Sherritt Nominees named in Circular for election to the Board.

**YOUR VOTE IS VERY IMPORTANT — SUBMIT YOUR PROXY TODAY. FOR ASSISTANCE VOTING YOUR PROXY PLEASE CONTACT KINGSDALE ADVISORS BY TOLL-FREE TELEPHONE IN NORTH AMERICA AT 1-800-749-9197 OR COLLECT CALL OUTSIDE NORTH AMERICA AT 416-867-2272, OR BY E-MAIL AT [CONTACTUS@KINGSDALEADVISORS.COM](mailto:CONTACTUS@KINGSDALEADVISORS.COM).**

**Q. What if I want to revoke my proxy?**

- A. You may revoke your proxy at any time before it is acted on. In order to revoke your proxy, you must send a written statement indicating your wish to have your proxy revoked. This written statement must be received by CST Trust Company at the address indicated on the accompanying Notice of Meeting at any time up to and including the last business day preceding the day of the Meeting or any adjournment or postponement of the Meeting, or with the Chairman of the Meeting prior to Meeting's commencement on the day of the Meeting or any adjournment or postponement of the Meeting, or in any other manner permitted by law.

**Q. Who should I contact for more information or assistance in voting my Shares?**

- A. If you have any questions, please contact Kingsdale Advisors by toll-free telephone in North America at 1-800-749-9197 or collect call outside North America at 416-867-2272, or by e-mail at [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com).

# MANAGEMENT INFORMATION CIRCULAR

## SOLICITATION OF PROXIES AND VOTING INSTRUCTIONS

The information contained in this Management Information Circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by management of Sherritt International Corporation (“**Sherritt**” or the “**Corporation**”) from registered holders of common shares of the Corporation (the “**Shares**”) (and of voting instructions in the case of non-registered holders of Shares) to be used at the annual meeting (the “**Meeting**”) of shareholders (“**Shareholders**”) of the Corporation to be held on June 13, 2017 at 10:00 a.m. (Toronto time) at Roy Thompson Hall, 60 Simcoe St, Toronto, Ontario and at all adjournments or postponements of the Meeting, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders (the “**Notice of Meeting**”).

The information contained in this Circular is given as at April 18, 2017, except where otherwise noted.

If you have any questions about information contained in this Circular or require assistance in completing your proxy, please consult your professional advisors or contact the Corporation’s proxy solicitation agent, Kingsdale Advisors (“**Kingsdale**”) by toll-free telephone in North America at 1-800-749-9197 or collect call outside North America at 416-867-2272, or by email at [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com).

## BUSINESS OF THE MEETING

The annual business to be considered at the Meeting is as follows:

1. receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2016, together with the report of the external auditor thereon;
2. re-appoint the external auditor for the ensuing year and authorize the directors to fix the external auditor’s compensation;
3. consider the following advisory (non-binding) resolution: “resolved, on an advisory basis and not to diminish the roles and responsibilities of the Board, that the Shareholders accept the approach to executive compensation disclosed in this Circular” (the “**Say-on-Pay Resolution**”);
4. elect directors; and
5. transact such other business, if any, as may properly come before the Meeting or any adjournment or postponement thereof.

### Annual Business

#### **1. Presentation of Financial Statements and Auditors’ Report**

The Shareholders will be asked to receive the audited consolidated financial statements of the Corporation and the notes thereto, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and January 1, 2016, and the consolidated statements of comprehensive (loss) income, consolidated statements of changes in shareholders’ equity and consolidated statements of cash flow for the years ended December 31, 2016 and December 31, 2015, together with the report of the auditor thereon.

#### **2. Appointment of Auditor**

The auditor of the Corporation is Deloitte LLP, Chartered Professional Accountants, Chartered Accountants, Licensed Public Accountants (“**Deloitte LLP**”). Deloitte LLP has served as auditor of the Corporation since November 1995.

Deloitte LLP is independent with respect to the Corporation and its subsidiaries within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The aggregate fees paid for professional services rendered by Deloitte LLP, for the year ended December 31, 2016 and the year ended December 31, 2015, are presented below:

Fees	2016	2015
Audit fees <sup>(1)</sup> . . . . .	\$2,782,000	\$2,843,000
Audit-related fees <sup>(2)</sup> . . . . .	\$ 9,000	\$ 14,000
Tax-related fees <sup>(3)</sup> . . . . .	\$ 359,000	\$ 619,000
Other fees <sup>(4)</sup> . . . . .	\$ 22,000	\$ 165,000
<b>Total fees</b> . . . . .	<b>\$3,172,000</b>	<b>\$3,641,000</b>

**Notes:**

- (1) Audit fees consist of fees for the audit and review of the Corporation's annual and quarterly consolidated financial statements, respectively, or services that are normally provided in connection with statutory and regulatory filings or engagements. During 2016 and 2015, the services provided in this category included research of accounting and audit-related issues and assurance audits.
- (2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's consolidated financial statements and are not reported as audit fees.
- (3) Tax-related fees consist of fees for assistance and advice in relation to the preparation of corporate income tax returns and expatriate services, other tax compliance and advisory services.
- (4) Other fees related to data analysis and training and development consulting services.

Approval of the resolution to reappoint Deloitte LLP to serve as external auditor of the Corporation for the ensuing year and for authorization of the directors to fix the external auditor's compensation will require an affirmative vote of a majority of the votes cast at the Meeting.

**Board Recommendation**

***The Board of Directors (the "Board") recommends that Shareholders vote FOR the reappointment of Deloitte LLP to serve as external auditor of the Corporation for the ensuing year and the authorization of the directors to fix the external auditor's compensation, and unless a proxy specifies that the Shares it represents are to be voted against the matter proposed above, the proxyholders named in the accompanying proxy intend to vote FOR the reappointment of Deloitte LLP to serve as external auditor of the Corporation for the ensuing year and for authorization of the directors to fix the external auditor's compensation.***

**3. Say-on-Pay Resolution**

Sherritt's executive compensation policies and procedures are based on the principle of pay for performance designed to align the interests of Sherritt's executive team with the long-term interests of Shareholders. This non-binding advisory shareholder resolution, commonly known as a "say-on-pay" resolution, gives Shareholders the opportunity to endorse or not endorse Sherritt's approach to its executive pay program and policies. Such resolutions are increasingly common in Canadian practice and the inclusion of a "say-on-pay" vote at this Meeting reflects Sherritt's continued commitment to corporate governance best practices.

Because this vote is advisory, it will not be binding upon the Board. However, the Board will review the results of this advisory vote and will consider the outcome when considering future executive compensation arrangements. If a significant number of the Shares represented in person or by proxy at the Meeting are voted against this advisory resolution, the Board will review the approach to executive compensation and any concerns expressed by Shareholders in the context of such vote.

Following such review by the Board, the Corporation intends to disclose a summary of the process undertaken by the Board and an explanation of any changes being implemented in relation to the Corporation's executive compensation (see page 30 below for the process undertaken by the Board in 2016 following last year's annual meetings and changes implemented in 2017) Sherritt will provide this disclosure within six months of the Meeting and, in any case, not later than the date it distributes a Management Information Circular for the next meeting of Shareholders.

Shareholders are encouraged to read the section in this circular entitled "Compensation Discussion & Analysis" at page 31 below. The results of the Say-on-Pay advisory vote will be disclosed as part of the report on voting results for the Meeting. Shareholders supported the executive compensation approach in 2015 by voting 65.86% "FOR" and 34.14% "AGAINST" the say-on-pay resolution at the 2016 annual and special meeting of Shareholders.

## Resolution

The text of the Say-on-Pay Resolution is as follows:

### **RESOLVED THAT:**

on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the Shareholders accept the approach to executive compensation disclosed in the Management Information Circular of the Corporation delivered in connection with the 2017 annual meeting of Shareholders of the Corporation.

Approval of the above resolution will require an affirmative vote of a majority of the votes cast at the Meeting.

### **Board Recommendation**

***The Board recommends that Shareholders vote FOR Sherritt's approach to executive compensation, as described in the Compensation Discussion & Analysis section of this Circular, and unless a proxy specifies that the Shares it represents are to be voted against the matter proposed above, the proxyholders named in the accompanying proxy intend to vote FOR the Say-on-Pay Resolution.***

### **4. Election of Directors**

Sherritt's current Board is strong, independent and experienced with sound corporate governance practices. The seven Sherritt Nominees bring a robust mix of expertise across disciplines and industry sectors, including strengths in the mining and/or resource industry, international business, government relations, capital projects, reserve evaluation, enterprise management, financial literacy and reporting, corporate governance, operations, human resources/executive compensation, environment, health, safety and sustainability, risk management/evaluation, finance and mergers and acquisitions, and board leadership.

The Board has fixed the number of directors to be elected for the current year at seven. The term of office of each director so elected will expire at the next annual meeting of the Shareholders unless he or she shall resign his or her office or his or her office becomes vacant by death, removal or other cause at an earlier date.

Six of the seven directors nominated for election (the "**Sherritt Nominees**") are currently directors. Management of the Corporation does not contemplate that any of the Sherritt Nominees will be unable, or for any reason will become unwilling, to serve as a director. Should this occur for any reason prior to the Meeting, the persons named in the accompanying proxy or the VIF reserve the right to vote for another nominee, at their discretion, unless the Shareholder has specified in the form of proxy or the VIF his or her Shares are to be withheld from voting in the election of any of the directors.

The section entitled "*Information Concerning the Current Board and Sherritt Nominees for Election of Directors*" below, provides detailed information with respect to each of the Sherritt Nominees.

#### *Majority Voting Policy*

Shareholders can vote FOR or WITHHOLD from voting separately for each nominee director. In 2009, the Board adopted a majority voting policy for the election of directors. Under the terms of the policy, if a nominee receives more "withhold" votes than "for" votes at a meeting that is not a contested meeting, he or she will submit his or her resignation to the Board. The Nominating and Corporate Governance Committee will review the offer of resignation and, except in situations where exceptional circumstances would warrant the director to continue to serve on the Board, will recommend that the Board accept the resignation. Such director will not participate in any Board or committee deliberations on the matter. The resignation will be effective when accepted by the Board. The Board's decision (including, if the resignation is not accepted, the reason for not accepting it) will be announced in a press release within 90 days of the annual meeting where such election was held. If the Board accepts the resignation, it may appoint a new director to fill the vacancy.

A contested meeting is defined as a meeting at which the number of directors nominated for election is greater than the number of seats available on the Board. As the Meeting is not a contested meeting, the Corporation's Majority Voting Policy will apply.

At the 2016 annual and special meeting of Shareholders, each of the eight Sherritt Nominee directors were elected by a substantial majority. For the number of votes cast FOR and WITHHELD from each director at the Corporation's 2016 annual general meeting, see the voting results filed on SEDAR at [www.sedar.com](http://www.sedar.com). Voting results for each of the Sherritt Nominees elected at the 2016 annual and special meeting who are standing for re-election can also be found under "*Information concerning the current Board and Sherritt Nominees for elections as Directors — Sherritt Nominees*" below.

## Board Recommendation

*The Board recommends that Shareholders vote FOR the Sherritt Nominees for election to the Board: Timothy Baker, R. Peter Gillin, Sir Richard Lapthorne, Adrian Loader, Lisa Pankratz, David Pathe and John Warwick. The proxyholders named in the accompanying proxy intend to vote FOR the Sherritt Nominees.*

## APPOINTMENT OF PROXIES AND VOTING INSTRUCTIONS

### REGISTERED SHAREHOLDER VOTING

You are a “**Registered Shareholder**” if your Shares are held in your personal name and you are in possession of a share certificate that indicates the same. If you are a Registered Shareholder, you may vote in person at the Meeting, you may appoint another person to represent you as proxyholder and vote your Shares at the Meeting or may vote by internet and telephone. If you wish to attend the Meeting, you may complete and return the enclosed proxy or you may vote in person at the Meeting. Please register with the scrutineers, being the Corporation’s transfer agent, CST Trust Company, when you arrive at the Meeting. If you wish to vote by internet or telephone, please see the enclosed proxy for further instructions.

### To Vote by Proxy

**If you are not able to attend the Meeting in person, or if you wish to appoint a representative to vote on your behalf, you have the right to appoint a person or entity other than the person designated in the proxy, who may or may not be a Shareholder, to represent you at the Meeting and vote on your behalf. You do this by appointing them as your proxyholder in writing in the proxy or another form of proxy as described below.**

Use the enclosed proxy or another proper form of proxy. The persons named in the accompanying proxy are officers of the Corporation and are nominees of management. **You can choose to have management’s appointee vote your Shares or may appoint a person or entity of your choice by striking out the printed names and inserting the desired person’s name and address in the blank space provided.**

### Registered Shareholders may vote in any of the following ways:

**By Mail:** by completing, signing, dating and returning the enclosed proxy to the Corporation’s transfer agent:

CST Trust Company  
Attention: Proxy Department  
P.O. Box 721  
Agincourt, Ontario  
M1S 0A1

**Online:** by visiting [www.cstvotemyproxy.com](http://www.cstvotemyproxy.com) and following the instructions. Please have the 13 digit control number on the enclosed proxy available as you will be prompted to enter this number for identification purposes.

**By Telephone:** by dialing 1-888-489-7352 from a touch-tone phone and following the voice instructions. Please have the 13 digit control number on the enclosed proxy available as you will be prompted to enter this number for identification purposes.

**By Fax:** by completing, signing, dating and returning the enclosed proxy to CST Trust Company at (416) 368-2502 or 1-866-781-3111.

**In Person:** If you are able to join us in person for the Meeting, and wish to vote your Shares in person, you do not need to complete and return the enclosed proxy. Before the official start of the Meeting on June 13, 2017, please register with the representatives(s) from CST Trust Company, which will be acting as scrutineer at the Meeting, who will be situated at a welcome table just outside the room in which the Meeting will be held. Once you are registered with CST Trust Company, your vote will be requested and counted at the Meeting.

Proxies must be received **no later than 10:00 a.m. (Toronto time) on Friday, June 9, 2017**, or, if the Meeting is adjourned or postponed, no later than 10:00 a.m. on the date (excluding Saturdays, Sundays and holidays) preceding the date of an adjourned or postponed Meeting. Please note that your vote can only be counted if the person you appointed attends the Meeting and votes on your behalf and the proxy has been properly completed and executed.

## Voting your Proxy

The management representatives designated in the enclosed proxy will vote for or against or withhold from voting your Shares in respect of which they are appointed by proxy on any vote that may be called for in accordance with your instructions as indicated on the proxy and, if you specify a choice with respect to any matter to be acted upon, the Shares will be voted accordingly.

### In the absence of any direction in your proxy, your Shares will be voted by the management representatives:

- **FOR** the reappointment of auditors named in this Circular and the authorization of the directors to fix remuneration of the auditors;
- **FOR** the Say-on-Pay Resolution; and
- **FOR** the Sherritt Nominees for election to the Board.

The accompanying proxy confers discretionary authority upon the management representatives designated in the form of proxy with respect to voting on amendments to matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting. At the date of this Circular, the directors and management of the Corporation know of no such amendments, variations or other matters.

## Revoking your Proxy

If you have submitted a proxy and later wish to revoke it, you can do so by re-voting your proxy online, by fax or by completing and signing a proxy bearing a later date and sending it to CST Trust Company. Your vote must be received **no later than 10:00 a.m. (Toronto time) on Friday, June 9, 2017**. A later dated proxy automatically revokes any previously submitted proxy. You can also send a written statement indicating you wish to have your proxy revoked. This written statement must be received by CST Trust Company at Proxy Department, P.O. Box 721 Agincourt, Ontario M1S 0A1, (i) at any time up to 10:00 a.m. (Toronto time) on the last business day preceding the day of the Meeting, or any adjournment or postponement thereof, at which the proxy is to be used; (ii) with the Chairman of the Meeting before the Meeting starts on the day of the Meeting or any adjournment or postponement thereof; or (iii) in any other manner permitted by law.

## BENEFICIAL (NON-REGISTERED) SHAREHOLDER VOTING

If your Shares are not registered under your name, they will likely be registered under the name of your broker or an agent of that broker (the “**Intermediary**”). Each Intermediary has its own procedures; please follow them carefully to ensure that your shares are voted at the Meeting according to your instructions.

### Beneficial (Non-Registered) Shareholders, including both Non-Objecting Beneficial Owners (“**NOBO**”) and Objecting Beneficial Owners (“**OBO**”) may vote in the following ways:

**Online:** by visiting [www.proxyvote.com](http://www.proxyvote.com) and following the instructions.

**By telephone:** by dialing the applicable number set out below and following the instructions

Canadian NOBO/OBO Shareholders: 1-800-474-7493 (English) or 1-800-474-7501 (French).

US NOBO/OBO Shareholders: 1-800-454-8683.

**In Person:** if you are able to join us in person for the Meeting, and wish to vote your Shares in person you may do so by either (i) inserting your own name in the space provided on the enclosed VIF or form of proxy provided by your Nominee or (ii) submitting any other document in writing to your Nominee that requests that the Beneficial (Non-registered) Shareholder or nominees thereof should be appointed as proxy. Then, follow the signing and return instructions provided by your Nominee. If you do not properly follow the return instructions provided by your Nominee, you may not be able to vote such Shares. Before the official start of the Meeting on June 13, 2017, please register with the representative(s) from CST Trust Company, who will be situated at a welcome table just outside the Meeting room. Once you are registered with CST Trust Company, and, provided the instructions you provided to your Nominee have been forwarded by your nominee to CST Trust Company, your vote will be requested and counted at the Meeting.

Additionally, Sherritt may use Broadridge Financial Services (“**Broadridge**”) QuickVote™ service to assist non-registered shareholders with voting their shares. Non-registered shareholders may be contacted by Kingsdale to conveniently obtain voting instructions directly over the telephone. Broadridge then tabulates the results of all of the instructions received and then provides the appropriate instructions respecting the shares to be represented at the Meeting.

Late proxies from non-registered holders may be accepted or rejected by the Chairman of the Meeting at his discretion, and the Chairman of the Meeting is under no obligation to accept or reject any particular late proxy. The time limit for deposit of proxies may be waived or extended by the Chairman of the Meeting at his discretion, without notice.

If you have any questions or need assistance completing your proxy or VIF, please call Kingsdale Advisors at 1-800-749-9197 toll-free in North America, collect at 416-867-2272 outside of North America, or email at [contactus@kingsdalesadvisors.com](mailto:contactus@kingsdalesadvisors.com).

Whether you choose to vote your beneficially held Shares by proxy, VIF or in person, you must carefully follow the instructions that accompany either the VIF or proxy, including those regarding when and where the VIF or proxy is to be delivered, and the deadline for delivery.

### **Revoking Voting Instructions**

If you have submitted a VIF and later wish to revoke it, you can do so by re-voting your VIF online, by fax or by completing and signing a VIF bearing a later date and sending it to the address set out on the VIF. Your vote must be received **no later than 10:00 a.m. (Toronto time) on Friday, June 9, 2017**. A later dated VIF automatically revokes any previously submitted VIF. You can also revoke by following the procedures provided by your Nominee. Your Nominee must send a written statement indicating you wish to have your voting instructions revoked. This written statement must be received by CST Trust Company at Proxy Department, P.O. Box 721 Agincourt, Ontario M1S 0A1, (i) at any time up to 10:00 a.m. (Toronto time) on the last business day preceding the day of the Meeting, or any adjournment or postponement thereof, at which the proxy is to be used; (ii) with the Chairman of the Meeting before the Meeting starts on the day of the Meeting or any adjournment or postponement thereof; or (iii) in any other manner permitted by law.

### **SHARES**

The authorized capital of the Corporation consists of an unlimited number of Shares. As of April 18, 2017, the Corporation had 294,589,156 Shares issued and outstanding. Each Shareholder of record at the close of business on April 18, 2017, the record date (the "**Record Date**") established for notice of the Meeting and for voting, will be entitled to vote on all matters proposed to come before the Meeting on the basis of one vote for each Share held. A quorum for the transaction of business at the Meeting will consist of two or more individuals present in person and each being entitled to vote thereat, representing in person or by proxy at least 25% of the total number of Shares entitled to vote at a meeting of Shareholders.

### **PRINCIPAL HOLDER OF VOTING SECURITIES**

To the knowledge of the directors and executive officers of the Corporation, no one person or entity beneficially owns or exercises direction or control over, directly or indirectly, more than 10% of the Shares, except for Foyston, Gordon & Payne Inc., which has publicly disclosed that, acting in its capacity as an investment advisor to a number of pooled investment funds and managed accounts, it exercises control and direction over an aggregate of 36,946,593 Shares, representing 12.7% of the issued and outstanding Shares as at April 18, 2017.

## INFORMATION CONCERNING THE CURRENT BOARD AND SHERRITT NOMINEES FOR ELECTION AS DIRECTORS

### SHERRITT NOMINEES

The tables below provide information about each of the Sherritt Nominee directors to assist Shareholders with their voting decisions. The tables include information regarding each director's other directorships, membership on Board committees, attendance record in 2016, experience, areas of expertise, amount of securities of the Corporation each held as of December 31, 2016 and the number of votes each received at the last annual meeting of the Shareholders. Six of the seven Sherritt Nominees are *independent*, as defined by applicable securities laws, which means they are independent of management. A nominated director is *non-independent* if he or she has a direct or indirect material relationship that the Board believes could be reasonably expected to interfere with his or her ability to exercise independent judgment. Mr. Pathe is non-independent as he serves as President and Chief Executive Officer of the Corporation. Neither Ms. Marcoux nor Mr. Stephen is standing for re-election.

As Mr. Stephen will not be standing for re-election at the Meeting, the Board has requested that the Chief Executive Officer, Mr. Pathe, assume the office of Chairman of the Board. The Board believes that the size of the Corporation, coupled with a focus on reducing expenditures and prudently allocating capital, supports a smaller Board structure. In this environment, Mr. Pathe is presently best situated to serve as Chairman. He is the director most familiar with the Corporation, business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. The Board believes this provides an efficient and effective leadership model for the Corporation, fostering alignment on corporate strategy. Other board members can have confidence that the proposed Chairman/CEO is fully aware of the corporation's strengths and weaknesses, along with what issues need to be addressed moving forward. As the Corporation remains strongly committed to maintaining independent leadership in the functioning of the Board, Mr. Gillin, an independent director, will be assuming the responsibilities of "Lead Director".



**Timothy Baker**  
Director

Residence: Ontario,  
Canada

Age: 65

Director Since:  
May 6, 2014

*Independent*

Mr. Baker has served as a director of the Corporation since May 2014. He currently serves as a director of Antofagasta PLC (where he is a member of the Compensation Committee) and Rye Patch Gold Corp., as well as being the Chairman of Golden Star Resources Ltd. Mr. Baker retired from his positions as Executive Vice President and Chief Operating Officer of Kinross Gold Corporation in October 2010. Prior to joining Kinross in 2006, Mr. Baker was with Placer Dome, where he served in several key roles including Executive General Manager of Placer Dome Chile and of Placer Dome Tanzania, and Senior Vice President of the copper producing Compañía Minera Zaldívar. Mr. Baker also served as a director of Pacific Rim Mining Corp. (until November 2013), Augusta Resource Corporation (until October 2014) and Eldorado Gold Corporation (until December 2012). Mr. Baker holds a B.Sc. (Geology) and the ICD.D certification from the Institute of Corporate Directors.

Board/Committee Membership	Overall Attendance in 2016		Areas of Expertise
Board of Directors	11 of 11	100%	<ul style="list-style-type: none"> <li>• Mining and/or Resource Industry</li> <li>• International Business</li> <li>• Capital Projects</li> <li>• Reserve Evaluation</li> <li>• Operations</li> <li>• Human Resources/Executive Compensation</li> <li>• Environment, Health, Safety &amp; Sustainability</li> <li>• Risk Management/Evaluation</li> <li>• Board Leadership</li> </ul>
Environment, Health, Safety and Sustainability ( <i>Chair</i> ) <sup>(8)</sup>	4 of 4	100%	
Nominating and Corporate Governance	4 of 4	100%	
Reserves <sup>(9)</sup>	3 of 3	100%	

**Other Public Board Memberships in the Past Five Years**

Augusta Resources Corporation (until October 2014)  
Antofagasta PLC  
Golden Star Resources Ltd.  
Rye Patch Gold Corp.  
Pacific Rim Mining Corp. (until September 2013)  
Eldorado Gold Corporation (until December 2012)

**Public Board Interlocks:**

None

**Securities Held<sup>(2)(3)</sup>**

Year	Shares	DDSUs	Total Shares and DDSUs	Total Value of Shares and DDSUs <sup>(4)</sup>	Minimum Ownership Met <sup>(5)(6)</sup>
2016	22,100	197,585	219,685	\$362,651	In Progress
2015	22,100	101,438	123,538	\$203,531	In Progress

**Options Held:**

None

Voting Results of 2016 Annual Meeting <sup>(7)</sup>		Votes For	Votes Withheld	Total Votes Cast
# of votes		101,018,172	11,841,230	112,859,402
% of votes		89.51	10.49	100



**R. Peter Gillin**  
Lead Director  
(Nominee) and  
Director

Residence: Ontario,  
Canada

Age: 68

Director Since:  
January 1, 2010

*Independent*

Mr. Gillin has served as a director of the Corporation since January 1, 2010. He is currently a director of Silver Wheaton Corp., Dundee Precious Metals Inc., TD Mutual Funds Corporate Class Ltd., Turquoise Hill Resources Ltd. (formerly Ivanhoe Mines Inc.) and Barlow Mine Inc. (a private company) and has been a member of the Independent Review Committee of TD Asset Management Inc. since 2003. Mr. Gillin is a member of the Compensation Committees of the Silver Wheaton Inc., Dundee Precious Metals Inc. and Turquoise Hill Resources Ltd. where he is also Chairman of the board of directors. Mr. Gillin also served as a director of HudBay Minerals Inc. from April 2008 to March 2009.

From October 2003 to September 2008, Mr. Gillin served as Chairman and Chief Executive Officer of Tahera Diamond Corporation ("Tahera"), a diamond exploration, development and production company. In January 2008, Tahera filed for protection under the CCAA. As a consequence of its financial difficulties, Tahera failed to file financial statements for the year ended December 31, 2007 and subsequent financial periods. As a result, Tahera was delisted from the TSX in November 2009 and issuer cease trade orders were issued in 2010 by the securities regulatory authorities of Ontario, Quebec, Alberta and British Columbia, which orders have not been revoked. Tahera subsequently sold its tax assets to Ag Growth International and certain properties, including the Jericho diamond mine, to Shear Minerals Ltd., and the monitoring process under the CCAA concluded by order of the Superior Court of Justice in September 2010.

From October 2002 to March 2003, Mr. Gillin was President and Chief Executive Officer of Zemex Corp, an industrial minerals producer. Prior thereto, Mr. Gillin served as Vice Chairman of NM Rothschild and Sons Canada Limited. Mr. Gillin is a CFA and also holds the ICD.D certification from the Institute of Corporate Directors.

Board/Committee Membership	Overall Attendance in 2015		Areas of Expertise
Board of Directors	11 of 11	100%	<ul style="list-style-type: none"> <li>• Mining and/or Resource Industry</li> <li>• International Business</li> <li>• Capital Projects</li> <li>• Enterprise Management</li> <li>• Financial Literacy and Reporting</li> <li>• Operations</li> <li>• Human Resources/Executive Compensation</li> <li>• Risk Management/Evaluation</li> <li>• Finance and M&amp;A</li> <li>• Board Leadership</li> </ul>
Audit ( <i>Chair</i> )	8 of 8	100%	
Human Resources	6 of 6	100%	
Nominating and Corporate Governance	4 of 4	100%	

**Other Public Board Memberships in the Past Five Years<sup>(1)</sup>**

Dundee Precious Metals Inc.  
Silver Wheaton Corp.  
Turquoise Hill Resources Ltd. (formerly Ivanhoe Mines Inc.)

**Public Board Interlocks:**

None<sup>(1)</sup>

**Securities Held<sup>(2)(3)</sup>**

Year	Shares	DDSUs	Total Shares and DDSUs	Total Value of Shares and DDSUs <sup>(4)</sup>	Minimum Ownership Met <sup>(5)</sup>
2016	25,380	245,707	271,087	\$742,797	Yes
2015	25,380	149,560	174,940	\$583,676	Yes

**Options Held:**

None

**Voting Results of 2016 Annual Meeting<sup>(7)</sup>**

	Votes For	Votes Withheld	Total Votes Cast
# of votes	96,958,940	15,900,462	112,859,402
% of votes	85.91	14.09	100



**Sir Richard Laphorne**  
Director

Residence:  
United Kingdom

Age: 73

Director Since:  
September 14, 2011

*Independent*

Sir Richard Laphorne has served as a director of the Corporation since September 2011. He has served as a Finance Director or as Chairman of various FTSE 100 and non-quoted companies in the United Kingdom since 1986, and is an advisor to and Chair of the Public Interest Body of PricewaterhouseCoopers. He was the Chairman of Cable & Wireless Communications plc and Cable & Wireless plc. until 2016. Between June 2009 and April 2010, he served as Chairman of McLaren Group Limited. From 1996 to May 2003 he was Chairman of Amersham International plc (now GE Healthcare) having joined its board as a Non-executive Director in 1989. He was Finance Director of British Aerospace plc from July 1992 and Vice Chairman from April 1998 until his retirement in 1999. He is also a fellow of each of the Chartered Institute of Management Accountants, Chartered Institute of Certified Accountants and the Institute of Corporate Treasurers in the United Kingdom.

Board/Committee Membership		Overall Attendance in 2016		Areas of Expertise	
Board of Directors	10 of 11	91%		<ul style="list-style-type: none"> <li>• International Business</li> <li>• Government Relations</li> <li>• Capital Projects</li> <li>• Enterprise Management</li> <li>• Financial Literacy and Reporting</li> <li>• Corporate Governance</li> <li>• Operations</li> <li>• Human Resources/Executive Compensation</li> <li>• Risk Management/Evaluation</li> <li>• Finance and M&amp;A</li> <li>• Board Leadership</li> </ul>	
Audit	8 of 8	100%			
Nominating and Corporate Governance ( <i>Chair</i> )	4 of 4	100%			
<b>Other Public Board Memberships in the Past Five Years</b>					
Cable & Wireless Communications plc (Chairman) (until 2016)					
Cable & Wireless plc (Chairman) (until 2016)					
<b>Public Board Interlocks:</b>					
None					
<b>Securities Held<sup>(2)(3)</sup></b>					
Year	Shares	DDSUs	Total Shares and DDSUs	Total Value of Shares and DDSUs <sup>(4)</sup>	Minimum Ownership Met <sup>(5)</sup>
2016	45,500	230,757	276,257	\$721,748	Yes
2015	45,500	134,610	180,110	\$562,627	Yes
<b>Options Held:</b>					
None					
<b>Voting Results of 2016 Annual Meeting<sup>(7)</sup></b>		<b>Votes For</b>	<b>Votes Withheld</b>	<b>Total Votes Cast</b>	
# of votes		100,206,676	12,652,726	112,859,402	
% of votes		88.79	11.21	100	



**Adrian Loader**  
Director

Residence: London,  
England

Age: 68

Director Since:  
July 29, 2013

*Independent*

Mr. Loader has served as a director of the Corporation since July 2013. He has extensive international experience from Royal Dutch Shell in energy management, projects, strategy, business development and new market entry. Mr. Loader held regional responsibility for Royal Dutch Shell's operations in Latin America/Africa, Middle East/Far East and Europe. He was subsequently the Royal Dutch Shell Director responsible for Strategy and Business Development, as well as for Scenarios, Group Planning, Health, Safety & Environment, and External Affairs. Before retiring from Royal Dutch Shell at the end of 2007, Mr. Loader served as President and Chief Executive Officer of Shell Canada ("Shell Canada") where he was responsible, inter alia, for Shell Canada's oil sands open pit mining activities and their expansion. Mr. Loader has served on the following public company boards — Alliance Unichem, Shell Canada Ltd., Alliance Boots, Candax Energy Inc. and Compton Petroleum. In January 2008, he joined the Board of Toronto based Candax Energy Inc. and was Chairman until June 2010. He then served as Chairman of Compton Petroleum, Calgary, until August 2012 and was also Chairman of the Board of Directors of Oracle Coalfields PLC, London (an international coal developer in Pakistan) from 2011 to 2016. He is currently a director of LarfargeHolcim Ltd. (a Swiss global supplier of cement and aggregates) and Alderon Iron Ore Corp. (a Canadian iron ore project developer), as well as the Chairman of Resero Gas Limited (a private UK company developing LNG to power projects). Mr. Loader is a Fellow of the Chartered Institute of Personnel and Development and holds a Master's degree in History from Cambridge University, England.

Board/Committee Membership	Overall Attendance in 2016		Areas of Expertise
Board of Directors	11 of 11	100%	<ul style="list-style-type: none"> <li>• Mining and/or Resource Industry</li> <li>• International Business</li> <li>• Government Relations</li> <li>• Capital Projects</li> <li>• Reserve Evaluation</li> <li>• Enterprise Management</li> <li>• Corporate Governance</li> <li>• Operations</li> <li>• Human Resources/Executive Compensation</li> <li>• Environment, Health, Safety and Sustainability</li> <li>• Risk Management/Evaluation</li> <li>• Finance and M&amp;A</li> <li>• Board Leadership</li> </ul>
Human Resources	6 of 6	100%	
Nominating and Corporate Governance	4 of 4	100%	
Reserves ( <i>Chair</i> ) <sup>(9)</sup>	3 of 3	100%	

**Other Public Board Memberships in the Past Five Years**

Alderon Iron Ore Corp.  
Oracle Coalfields plc (Chairman)  
LaFargeHolcim  
Compton Petroleum (Chairman) (until December 2012)

**Public Board Interlocks:**

None

**Securities Held<sup>(2)(3)</sup>**

Year	Shares	DDSUs	Total Shares and DDSUs	Total Value of Shares and DDSUs <sup>(4)</sup>	Minimum Ownership Met <sup>(5)(6)</sup>
2016	19,000	214,677	233,677	\$458,696	Yes
2015	19,000	118,530	137,530	\$299,576	In progress

**Options Held:**

None

Voting Results of 2016 Annual Meeting <sup>(7)</sup>	Votes For	Votes Withheld	Total Votes Cast
# of votes	100,065,203	12,794,199	112,859,402
% of votes	88.66	11.34	100



**Lisa Pankratz**  
Director

Residence: British Columbia, Canada

Age: 56

Director Since: November 13, 2013

*Independent*

Ms. Pankratz has over 28 years of experience in the investment industry and capital markets in both executive and advisory capacities working with multinational and international companies. For over 14 years, she has served as a board member of corporations in the financial services and global media industries. Ms. Pankratz currently sits on the boards of IA Clarington Investments Inc., UBC Investment Management Trust Inc., CIR Investment Research Ltd. and the Canadian Museum for Human Rights, none of which are publicly listed. She is also a member of the HSBC Independent Review Committee of HSBC Global Asset Management (Canada) Limited.

She previously served on the boards of Canwest Global Communications Corp. (2005-2010), Canwest Media, Inc. (2005-2008), the Insurance Corporation of British Columbia (2001-2007) and was a member of the Accounting Policy and Advisory Committee advising the Ministry of Finance for the Province of British Columbia (2002-2004). From 2006 until 2010, Ms. Pankratz served as the President of Mackenzie Cundill Investment Management Ltd. and from 2002-2006 as the President, Chief Compliance Officer and Director of Cundill Investment Research Ltd. and the Chief Compliance Officer of The Cundill Group.

Ms. Pankratz is a Fellow of the Institute of Chartered Professional Accountants of British Columbia and a Chartered Financial Analyst charter holder. She received an Honours Bachelor of Arts in Business Administration from the Richard Ivey School of Business at the University of Western Ontario.

Board/Committee Membership	Overall Attendance in 2016		Areas of Expertise
Board of Directors	11 of 11	100%	<ul style="list-style-type: none"> <li>• International Business</li> <li>• Capital Projects</li> <li>• Enterprise Management</li> <li>• Financial Literacy and Reporting</li> <li>• Corporate Governance</li> <li>• Operations</li> <li>• Human Resources/Executive Compensation</li> <li>• Risk Management/Evaluation</li> <li>• Finance and M&amp;A</li> </ul>
Audit	8 of 8	100%	
Environment, Health, Safety and Sustainability	4 of 4	100%	
Nominating and Corporate Governance	4 of 4	100%	

**Other Public Board Memberships in the Past Five Years**

None

**Public Board Interlocks:**

None

**Securities Held<sup>(2)(3)</sup>**

Year	Shares	DDSUs	Total Shares and DDSUs	Total Value of Shares and DDSUs <sup>(4)</sup>	Minimum Ownership Met <sup>(5)(6)</sup>
2016	29,300	208,550	208,550	\$436,499	In progress
2015	29,300	112,403	141,703	\$277,379	In progress

**Options Held:**

None

Voting Results of 2016 Annual Meeting <sup>(7)</sup>	Votes For	Votes Withheld	Total Votes Cast
# of votes	100,265,908	12,593,494	112,859,402
% of votes	88.84	11.16	100



**David V. Pathe**  
Chairman (Nominee),  
President and Chief  
Executive Officer and  
Director

Residence: Ontario,  
Canada

Age: 46

Director Since:  
January 1, 2012

*Non-Independent*

Mr. Pathe was appointed as President and Chief Executive Officer of the Corporation effective January 1, 2012. Prior to that, Mr. Pathe served as Senior Vice President, Finance and Chief Financial Officer of the Corporation from March 2011, as Senior Vice President, General Counsel and Corporate Secretary from July 2009, as Vice President, General Counsel and Corporate Secretary from October 2008 and as Assistant General Counsel and Assistant Corporate Secretary from June 2007.

Board/Committee Membership	Overall Attendance in 2016		Areas of Expertise
Board of Directors	11 of 11	100%	<ul style="list-style-type: none"> <li>• Mining and/or Resource Industry</li> <li>• International Business</li> <li>• Capital Projects</li> <li>• Enterprise Management</li> <li>• Financial Literacy and Reporting</li> <li>• Corporate Governance</li> <li>• Risk Management/Evaluation</li> <li>• Finance and M&amp;A</li> </ul>

**Other Public Board Memberships in the Past Five Years**

None

**Public Board Interlocks:**

None

**Securities Held<sup>(2)(3)</sup>**

Year	Shares	Restricted Share Units ("RSUs")	Restricted Stock	Total Shares, RSUs and Restricted Stock	Total Value of Shares, RSUs and Restricted Stock <sup>(8)</sup>	Minimum Ownership Met <sup>(9)</sup>
2016	252,045	1,978,012	27,000	2,257,057	\$3,876,200	Yes
2015	209,220	815,623	27,000	1,051,843	\$2,817,410	Yes

**Options Held:**

See charts under "*Compensation Discussion & Analysis — Executive Compensation — Summary Compensation Table*" and "*Compensation Discussion & Analysis — Executive Compensation — Incentive Plan Awards — Outstanding Option Based Awards and Share Based Awards*".

Voting Results of 2016 Annual Meeting <sup>(7)</sup>		Votes For	Votes Withheld	Total Votes Cast
# of votes		101,158,464	11,700,938	112,859,402
% of votes		89.63	10.37	100



**John Warwick**  
Proposed Director

Residence: Ontario,  
Canada

Age: 64

Director Since: NA

*Independent*

Mr. Warwick is a special advisor to Paradigm Capital Inc., as well as being director of Canadian Zinc Corporation where he is Chairman of both the Audit and Compensation committees. Prior to 2015, Mr. Warwick was the Managing Director, Investment Banking, founding partner and Head of Corporate Finance of Paradigm Capital Inc. where he advised and assisted companies on financing and capital structure matters.

Prior to 1999, Mr. Warwick was Executive Vice President and Vice Chairman of Gordon Capital Corporation and previously a mining analyst at Burns Fry, where he was a top-ranked base metals analyst, and Gardner Watson. He is currently a member of the Finance and Audit committee of the Board of Governors of the Shaw Festival. Mr. Warwick is a CFA and holds an MBA from the University of Toronto.

Board/Committee Membership		Overall Attendance in 2016		Areas of Expertise	
Board of Directors		NA	NA		
<b>Other Public Board Memberships in the Past Five Years</b>					
Canadian Zinc Corporation					
<b>Public Board Interlocks:</b>					
None					
<b>Securities Held<sup>(2)(3)</sup></b>					
Year	Shares	DDSUs	Total Shares and DDSUs	Total Value of Shares and DDSUs <sup>(4)</sup>	Minimum Ownership Met <sup>(5)(6)</sup>
2016	NA	NA	NA	NA	NA
2015	NA	NA	NA	NA	NA
<b>Options Held:</b>					
None					
<b>Voting Results of 2016 Annual Meeting<sup>(7)</sup></b>		Votes For	Votes Withheld	Total Votes Cast	
# of votes		NA	NA	NA	
% of votes		NA	NA	NA	

**Notes to Sherritt Nominee Tables:**

- (1) TD Mutual Funds Corporate Class Ltd. (TDMFCC) is a multi-class open-ended mutual fund corporation. Each class of shares is a separate TD Mutual Funds Corporate Class Fund managed by TD Asset Management Inc., a wholly-owned subsidiary of The Toronto-Dominion Bank. Each of the TDMFCC Funds is a reporting issuer, but not publicly listed. Mr. Gillin's responsibilities as a member of the TDMFCC board are not equivalent to those of a director of a publicly listed company.
- (2) The information as to Shares beneficially owned or over which the foregoing directors exercise control or direction (other than restricted stock ("Restricted Stock") issued to employees under the Corporation's Restricted Stock Plan), not being within the knowledge of the Corporation, has been furnished by the respective directors individually.
- (3) DDSUs are granted pursuant to the Corporation's non-executive Directors' Deferred Share Unit Plan (the "DDSU Plan"). The DDSU Plan has been in effect since December 6, 2002 and participation in the plan is limited to non-executive directors. See "Compensation Discussion & Analysis — Director Compensation — Directors' Deferred Share Unit Plan" for additional information.
- (4) Values reflect the amounts calculated for Director share ownership requirements as at December 31, 2016 and 2015, respectively. See "Compensation Discussion & Analysis — Director Compensation — Director Share Ownership Requirements" for more information. The securities held are valued at the greater of (a) the grant or purchase price and (b) the closing price of the Shares on the Toronto Stock Exchange ("TSX") on December 31 of the respective year, or the last trading day immediately preceding such date if December 31 was not a trading day. The closing price for 2016 was \$1.33. For 2015, the same methodology was used and the closing price was \$0.73.
- (5) See "Compensation Discussion & Analysis — Director Compensation — Director Share Ownership Requirements" for more information regarding the share and share-based ownership requirements for non-executive directors.
- (6) Each of Mr. Baker and Ms. Pankratz has until September 19, 2019 to satisfy the share ownership requirements (being the fifth anniversary of the adoption of the most recent director share ownership requirements in September 2014). See "Compensation, Discussion & Analysis — Director Compensation — Director Share Ownership Requirements".
- (7) Voting results from the 2016 annual meeting reflect the total number of votes cast for or withheld from voting in respect of each director who was elected at such meeting, as reported to the Corporation by the scrutineer of the meeting. Total votes cast for each director may vary and the percentage of votes reported for each director is determined by dividing the votes cast for or withheld from voting by the total number of votes cast for each such director.
- (8) Values reflect the amounts calculated for Executive SOR Holdings as at December 31, 2016 and 2015, respectively. See "Compensation Discussion & Analysis — Executive Compensation — Executive Share Ownership Requirements" for more information. For 2015, the same methodology was used and the closing price was \$0.73.
- (9) See "Compensation Discussion & Analysis — Executive Compensation — Executive Share Ownership Requirements" for more information regarding the share and share-based ownership requirements for Mr. Pathe.

## MEETING ATTENDANCE

Regular Board and committee meetings are set at least a year in advance, with special meetings being scheduled as required. The Board expects directors to attend all Board meetings and all meetings of the committees to which they are appointed, to come to such meetings fully prepared and to remain in attendance for the duration of the meetings. In 2016 there were five regularly scheduled Board meetings, seven regularly scheduled Audit Committee meetings, five regularly scheduled Human Resources Committee meetings, four Environmental, Health and Safety and Sustainability Committee meetings, four regularly scheduled Nominating and Corporate Governance Committee meetings and two regularly scheduled Reserves Committee meetings). All other meetings were special meetings called with limited advance notice.

Name	Board		Audit		Human Resources		Nominating and Corporate Governance		Reserves		EHS&S	
	#	%	#	%	#	%	#	%	#	%	#	%
T. Baker . . . . .	11	100	—	—	—	—	4	100	3	100	4	100
P. Gillin . . . . .	11	100	8	100	6	100	4	100	—	—	—	—
R. Laphorne . . . . .	10	91	8	100	—	—	4	100	—	—	—	—
A. Loader . . . . .	11	100	—	—	6	100	4	100	3	100	—	—
E. Marcoux . . . . .	10	91	—	—	6	100	4	100	—	—	4	100
L. Pankratz . . . . .	11	100	8	100	—	—	4	100	—	—	4	100
D. Pathe . . . . .	11	100	—	—	—	—	—	—	—	—	—	—
H. Stephen . . . . .	11	100	—	—	—	—	4	100	—	—	—	—

## SERVING TOGETHER ON BOARDS OF OTHER PUBLIC COMPANIES

As of the date of this Circular, none of the proposed directors serve together on the board of directors of any other public company.

## ORDERS AND BANKRUPTCIES

From October 2003 to September 2008, Mr. Gillin served as Chairman and Chief Executive Officer of Tahera Diamond Corporation (“**Tahera**”). In January 2008, Tahera filed for protection under the *Companies’ Creditors Arrangement Act* (“**CCAA**”). As a consequence of its financial difficulties, Tahera failed to file financial statements for the year ended December 31, 2007 and subsequent financial periods. As a result, Tahera was delisted from the TSX in November 2009 and issuer cease trade orders were issued in 2010 by the securities regulatory authorities of Ontario, Quebec, Alberta and British Columbia, which orders have not been revoked. Tahera subsequently sold its tax assets to Ag Growth International and certain properties, including the Jericho diamond mine, to Shear Minerals Ltd. The monitoring process under the CCAA was concluded by order of the Superior Court of Justice in September 2010.

Ms. Pankratz was on the board of CanWest Global Communications Corp. (“**CanWest**”) from 2005 until her resignation in February 2010. She served on the Audit and Pension Committees of that board and was Chair of the Pension Committee from 2008 until her resignation. CanWest filed for court protection from its creditors October 2009. CanWest’s newspaper subsidiary filed separately under the CCAA in January 2010.

## ABOUT THE BOARD OF DIRECTORS

The Board is responsible for overseeing management of the business and affairs of the Corporation. The Corporation’s articles stipulate that the Board must consist of not less than three and not more than 15 directors. In accordance with the Corporation’s by-laws and a special resolution of Shareholders, the Board is authorized to determine the number of directors from time to time. The Board is currently fixed at eight members and the directors have approved a resolution to reduce the Board to seven members as of the date of the Meeting. The Board has a written mandate that establishes its purpose, responsibilities and composition. A copy of the mandate in effect as of the day of the Meeting is attached as Schedule “A” to this Circular.

In assisting the Board in fulfilling its oversight responsibilities in relation to corporate governance, the Board has delegated responsibility to the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board regarding the Corporation’s approach to corporate governance issues (including the annual review of the Corporation’s governance policy).

## INDEPENDENCE

All directors, other than the President and Chief Executive Officer, are independent. The Corporation determines the independence of its directors using the definition set out in National Instrument 58-101 — *Disclosure of Corporate Governance Practices* (“**NI 58-101**”). This definition provides that to be independent, a director must have no direct or indirect material relationship with the Corporation. A material relationship exists where the Board believes that a relationship could be reasonably expected to interfere with the director’s independent judgment and is deemed to exist under certain prescribed circumstances set out in NI 58-101. The Board currently consists of seven directors that are independent (Messrs. Baker, Gillin, Loader and Stephen, Sir Richard Laphorne and Ms. Marcoux and Ms. Pankratz) and each committee is comprised entirely of independent directors. Mr. Pathe is non-independent as he serves as President and Chief Executive Officer of the Corporation.

A director who has a real or perceived conflict of interest regarding any matter under consideration is required to recuse him or herself from all Board deliberations or discussions relating to such matter.

Should the Nominee Directors be elected at the Meeting, six of the seven directors (Messrs. Baker, Gillin, Loader and Warwick, Sir Richard Laphorne and Ms. Pankratz) serving on the Board will be independent and each committee will continue to be comprised of entirely independent directors.

Upon Mr. Stephen’s departure from the role of Chairman of the Board, Mr. Pathe will be assuming the combined role of CEO/Chairman of the Board. As the Corporation remains strongly committed to maintaining independent leadership in the functioning of the Board, Mr. Gillin, an independent director, will be assuming the responsibilities of “Lead Director”.

The principal role of the Lead Director is to facilitate the functioning of the Board independent of management and the Chairman of the Board and to serve as an independent leadership contact for the directors, senior executives and stakeholders. Among other things, the “Lead Director” will be responsible for approving the agenda for Board meetings, leading discussions at sessions of the independent members of the Board outside the presence of management, providing feedback regarding such sessions to the Chairman, and otherwise serving as a liaison between the independent directors and the Chairman. The Lead Director is also available as a contact for consultation and direct communication with shareholders and other key stakeholders. A copy of the Lead Director’s terms of reference, which will be in effect as of the day of the Meeting, is available at [www.sherritt.com](http://www.sherritt.com).

## POSITION DESCRIPTIONS

### *The Chairman of the Board*

The principal role of the Chairman of the Board is to provide leadership to the Board. The Chairman is responsible for effectively managing the affairs of the Board and ensuring that the Board is properly organized and that it functions efficiently. The Chairman, if independent, also advises the President and Chief Executive Officer in all matters concerning the interests of the Corporation, the Board and the relationships between management and the Board. A copy of the Chairman’s terms of reference is available at [www.sherritt.com](http://www.sherritt.com) and is also attached to the Board Mandate attached as Schedule “A” to this Circular.

### *Committee Chairs*

The Chair of each committee is responsible for, amongst other things:

- determining the date, time and location of meetings of the committee in consultation with the Chairman of the Board, the Lead Director, the Corporate Secretary and the committee members, as appropriate and convening meetings of the committee as often as necessary to carry out the committees responsibilities effectively;
- chairing all meetings of the committee;
- confirming that the duties and responsibilities of the committee, as set forth in its mandate, are well understood by the committee members and executed effectively;
- in consultation with the Chairman of the Board, the Lead Director, committee members, and the Corporate Secretary, as appropriate, reviewing meeting agendas to ensure that required business is brought before the committee to enable the committee to carry out its responsibilities;
- communicating with appropriate members of senior management in fulfilling the duties and responsibilities set forth in the committee’s mandate;

- with the assistance of the Corporate Secretary, ensuring that agenda items for all committee meetings are ready for presentation and that adequate information is distributed to committee members in advance of such meetings in order that committee members may properly inform themselves on matters to be acted upon;
- ensuring that minutes are kept of all committee meetings and signing minutes once approved by the committee;
- reporting to the Board at its next meeting following any decision or recommendation arising from any meeting of the committee or the signing of a written resolution evidencing a decision or recommendation of the committee, including reporting on the considerations that led to such decision or recommendation;
- providing leadership to enable the committee to act effectively in carrying out its responsibilities; and
- ensuring that the committee periodically evaluates its effectiveness in fulfilling the duties and responsibilities set forth in its mandate.

### ***President and Chief Executive Officer***

The Board and the Chief Executive Officer have developed a written position description for the President and Chief Executive Officer which delineates that officer's roles and responsibilities. The President and Chief Executive Officer has the primary responsibility for the management of the business and affairs of the Corporation in accordance with the Corporation's strategy and objectives approved by the Board within the authority limitations delegated by the Board. Specific duties and responsibilities of the President and Chief Executive Officer are set out in the President and Chief Executive Officer terms of reference, a copy of which is available at [www.sherritt.com](http://www.sherritt.com).

### **MEETING IN CAMERA**

*In camera* sessions in which independent directors meet without management are held at every in-person meeting of the Board and the Chairman of the Board (if independent) or the Lead Director leads these sessions. Board committees consist of independent directors and meet *in camera* at each in-person committee meeting and otherwise as considered necessary. Committees operate independently of management in fulfilling their mandates and making recommendations to the Board. The Lead Director and the Chair of each committee presides over these meetings. At least once per quarter, the Audit Committee meets separately with the Corporation's external auditor, Deloitte LLP, and the Corporation's Internal Audit function to discuss the financial affairs of the Corporation without management being present. In addition, the independent directors may meet separately at such other times as any independent director may request.

The Lead Director and the committee Chairs update management on the substance of the *in camera* meetings if action is required.

### **DIRECTOR ORIENTATION**

The Corporation's orientation program ensures that new directors have a clear understanding of director responsibilities in Canada, develop a good working relationship with current Board members and become familiar with the operations and management team so they can actively participate in meetings when they join the Board. New directors are invited to attend as an observer, meetings of committees of which the new director is not a member. The Nominating and Corporate Governance Committee is responsible for confirming that procedures are in place and resources are made available to provide new directors with a proper orientation to both the Corporation and their duties and responsibilities as directors.

The Corporation currently takes the following steps to orient new directors:

1. Face to face meetings or telephone calls: During the recruitment process, candidates meet with the Chairman of the Board, the Lead Director, the Chair of the Nominating and Corporate Governance Committee (or if unavailable, another director) and the President and Chief Executive Officer to discuss the expectations the Corporation has of its Board members (as described in the Mandate of the Board found at Schedule "A" to this Circular). Candidates also receive an overview of the business of the Corporation in these meetings.
2. New director's package: The new director's package includes: a handbook containing relevant corporate and business information (articles, by-laws, organization and corporate charts, Board mandate, committee mandates, etc.), current continuous disclosure documents, and Board presentations given within the previous year.
3. Site visits: Within the first year of their appointment, new directors are invited to visit the Corporation's business units and major projects.
4. Interact with key management: Within the first year of their appointment, new directors are provided an opportunity to meet with all key management team members.

5. Legal obligations: New directors attend a session with the Corporation's outside counsel to ensure each has a full understanding of his or her legal obligations as a director.
6. Committee Orientation: Committee Chairs, together with appropriate management representatives, provide committee orientation to new directors regarding the committees they will be joining.

### **Continuing Education**

The Corporation expects its directors to be informed about the issues affecting its business, including the industries it participates in, governance and other related issues. The Corporation undertakes continuing education efforts that include meetings among management and the Board, and where appropriate, outside experts, to discuss, among other things, regulatory changes, developments in corporate governance, developments in the mining and oil and gas industries and market conditions.

The Corporation's directors and executive officers also complete continuing education sessions and attend briefings on various topics relating to the jurisdictions in which its subsidiaries and joint ventures operate, including the various political, regulatory and economic environments. The Corporation issues to the directors quarterly updates on Sherritt's foreign operations, which includes updates on political, economic and social developments in Cuba and Madagascar. The Corporation also retains the services of consultants, including former Canadian diplomatic personnel, with knowledge of the political and economic situation in Cuba and Madagascar to advise the directors and executive officers on current developments in those countries from time to time. The directors also participate in scheduled trips to the Corporation's operations in Canada, Cuba and Madagascar, where they meet with the senior executives responsible for local operations; attend site visits; meet with government officials, local leaders and stakeholders; and learn about the local business culture and practices.

The table below lists, by way of example, the internal and external conferences, seminars, courses and site tours that the nominee directors attended between January 1, 2016 and December 31, 2016.

<b>Topic</b>	<b>Presented/Hosted By</b>	<b>Attended By (Current Directors)</b>
Site Visit: Ambatovy Project, Madagascar	Tim Dobson, Senior Vice President, Ambatovy	Tim Baker, Adrian Loader, Dee Marcoux
Site Visit: Metals Operations, Fort Saskatchewan	Martin Vydra, Senior Vice President, Metals; Steve Wood, Executive Vice President and Chief Operating Officer	Adrian Loader, Tim Baker
Site Visit: Oil & Gas, Calgary	Elvin Saruk, Senior Vice President, Oil & Gas	Adrian Loader, Tim Baker
Site Visit: Oil & Gas and Power Operations, Cuba	Elvin Saruk, Senior Vice President, Oil & Gas and Power;	Adrian Loader, Dee Marcoux
External Seminar: Governance Summit	Kingsdale Shareholder Services	Peter Gillin
External Seminar: Looking Forward CEO and Board Succession	Russell Reynolds Associates	Peter Gillin
External Seminar: Mining Executive & Director Forum	KPMG	Peter Gillin
External Seminar: Board Evaluations: Quest for Best Performance	Institute of Corporate Directors	Peter Gillin
External Seminar: 2016 Mining Invitation Forum	Northwind Profession Institute	Peter Gillin
External Seminar: Audit Committee Effectiveness	Institute of Corporate Directors	Peter Gillin
External Seminar: Mining Industry Director & Investor Roundtable	Hugessen Consulting	Peter Gillin

<b>Topic</b>	<b>Presented/Hosted By</b>	<b>Attended By (Current Directors)</b>
External Seminar: Major Challenges in the Boardroom	Stanford-Rotman Corporate Governance Day	Peter Gillin
External Seminar: Financial Literacy Course	Rotman School of Business	Tim Baker
External Seminar: Enhancing Audit Committee Oversight of the External Auditor	Institute of Corporate Directors	Tim Baker
External Seminar: Aligning Compensation Frameworks with Corporate Strategy	Institute of Corporate Director	Tim Baker
Pay for Performance	Meridian Seminar	Tim Baker
Deloitte Directors' Series: Taking the long term view around the board table: The challenge of "getting there"	Deloitte	Lisa Pankratz
External Seminar: Preparing for what's next on the agendas at the SEC, PCAOB and FASB	PricewaterhouseCoopers	Lisa Pankratz
External Seminar: Ethical Decision-Making	CFA Institute	Lisa Pankratz
External Seminar: Ethics in the Workforce	CPABC	Lisa Pankratz
External Seminar: Risking it all: Business ethics for C-Suite and Boards	PricewaterhouseCoopers	Lisa Pankratz
External Seminar: Toward new possibilities in threat management "Threat Intelligence"	PricewaterhouseCoopers	Lisa Pankratz
External Seminar: What's new in Accounting Standards	CPABC	Lisa Pankratz
External Seminar: Personal and Enterprise Security in a Connected World	CPABC	Lisa Pankratz

The Corporation reimburses directors for continuing education out-of-pocket expenses.

## BOARD SKILLS MATRIX

The following skills matrix sets out the skills and expertise that the Board considers important to fulfill its oversight role in respect of the Corporation, the specific skills and expertise that each Sherritt Nominee is identified as having and reflects the proposed makeup of the Board as a whole.

Skills & Experience	Timothy Baker	R. Peter Gillin	Sir Richard Lapthorne	Adrian Loader	Lisa Pankratz	David Pathe	John Warwick	Total
<b>Appointment Date</b>	05/06/14	01/01/10	09/14/11	07/29/13	11/13/13	01/01/12	Proposed Director	
<b>Mining and/or Resource Industry</b>	✓	✓		✓		✓	✓	5
<b>International Business</b>	✓	✓	✓	✓	✓	✓	✓	7
<b>Government Relations</b>			✓	✓				2
<b>Capital Projects</b>	✓	✓	✓	✓	✓	✓	✓	7
<b>Reserve Evaluation</b>	✓			✓				2
<b>Enterprise Management</b>		✓	✓	✓	✓	✓	✓	6
<b>Financial Literacy and Reporting</b>		✓	✓		✓	✓	✓	5
<b>Corporate Governance</b>			✓	✓	✓	✓		4
<b>Operations</b>	✓	✓	✓	✓	✓			5
<b>Human Resources/Executive Compensation</b>	✓	✓	✓	✓	✓		✓	6
<b>Environment, Health, Safety and Sustainability</b>	✓			✓				2
<b>Risk Management/Evaluation</b>	✓	✓	✓	✓	✓	✓	✓	7
<b>Finance and M&amp;A</b>		✓	✓	✓	✓	✓	✓	6
<b>Board Leadership</b>	✓	✓	✓	✓			✓	5

The Board maintains this skills matrix to identify and evaluate the competencies and skills of its members based on the individual experience and background of each director. The skills matrix is reviewed and updated each year based on self-assessment by each director whereby each director is asked to rate his or her experience and background in a variety of key subject areas. This data is compiled into a matrix representing the broad skills for current directors. This matrix is maintained to identify areas for strengthening the Board, if any, and address them through the recruitment of new members.

### Board Experience in Jurisdictions of Sherritt's Foreign Operations

The working language of the Corporation is English and all internal documents and material documents provided to the Board are prepared and presented in English. The official languages of Madagascar and Cuba, the main jurisdictions of Sherritt's foreign operations, are Malagasy and French, and Spanish, respectively. Three directors are fluent in French and two directors are fluent in Spanish. The Corporation considers fluency in the languages of these jurisdictions as an additional skill. Relevant foreign language skills enable directors to better interact with local stakeholders, including government officials and employees.

### BOARD SUCCESSION AND RENEWAL

The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board regarding the qualifications for and selection of nominees for election or appointment to the Board to fill vacancies. The Corporation's objective with respect to board composition is for the Board to have a sufficient range of skills, expertise and experience to ensure that the Board can carry out its responsibilities effectively.

In making recommendations of nominee directors to the Board, the Nominating and Corporate Governance Committee considers:

- the competencies and skills that are necessary to serve on the Board;
- the competencies and skills that each existing director contributes to the Board;
- the competencies and skills that each new nominee would contribute to the Board;
- whether each new nominee would enhance the effective functioning of the Board as a whole; and
- whether each new nominee can devote sufficient time and resources to his or her duties as a member of the Board.

When considering nominee directors, the Nominating and Corporate Governance Committee also takes into account factors such as whether the nominee is a strong leader in his or her field, ideally from an industrial background with experience in mining, energy, operations or large capital intensive industry; has strong experience in either corporate strategy and/or operations within an industrial setting; and whether the nominee has the ability to engender trust and respect in the boardroom setting.

The Corporation monitors Board renewal in order to ensure reasonable turnover and renewal of directors. Board renewal is expected to be achieved primarily through a skills gap assessment performed by the Nominating and Corporate Governance Committee, as described above, and the Board evaluation process described under “*Board Evaluation*” below, together with ordinary attrition as directors elect not to stand for re-election. In circumstances where sufficient renewal does not occur through this process the Committee will take appropriate incremental steps to ensure reasonable renewal. There is no expectation that any director will remain on the Board for any particular “term” or period of time, and renewal processes apply equally to short and long serving directors.

As part of Board renewal in the past five years one proposed new independent director is standing for election to the Board in 2017, one new independent director joined the Board in 2014 and two new independent directors joined the Board in 2013.

## **CORPORATE GOVERNANCE PRACTICES**

The Board believes that sound corporate governance practices are essential to the well-being of the Corporation and the promotion and protection of its Shareholders’ interests. The Board oversees the functioning of the Corporation’s governance system, in part, through the work of the Nominating and Corporate Governance Committee.

The Board promotes fair reporting, including financial reporting, to Shareholders and other interested persons as well as ethical and legal corporate conduct through an appropriate system of corporate governance, internal controls and disclosure controls. The Board believes that the Corporation is best served by a Board which functions independently of management and is informed and engaged.

NI 58-101 requires disclosure concerning an issuer’s corporate governance practices. The Corporation operates under the guidelines set out in this section, “*Corporate Governance Practices*”. These guidelines as well as the disclosure in “*About the Board of Directors*”, above, address the requirements of NI 58-101 and the guidance suggested by National Policy 58-201 — *Corporate Governance Guidelines*.

## **SHARE OWNERSHIP REQUIREMENTS**

The Corporation has established share ownership requirements for directors and senior executive officers which are designed to align the interests of the directors and senior executive officers with the long term interests of Shareholders. See page 34 for a detailed discussion of director share ownership requirements and page 66 for a detailed discussion of executive share ownership requirements.

## **RETIREMENT POLICY AND TERM LIMITS**

The Board has not adopted a mandatory retirement policy or term limit for directors. The Board believes that mandatory retirement and term limits may result in the loss of effective directors with deep knowledge of the Corporation. Instead, Sherritt follows a director assessment process each year to ensure that director effectiveness and renewal of the Board are considered together. This process is discussed in more detail under the heading “*Board Evaluation*”, below. It serves to ensure that Sherritt has a high performing Board comprised of directors with a diversity of skills, experience and background and a reasonable level of board renewal. Sherritt’s process includes, among other things, a periodic self and peer evaluation, which considers the skills and expertise of each director and assesses the contribution made to Sherritt and to the Board by each director, and a periodic independent third party board evaluation process.

## DIVERSITY POLICY

Sherritt recognizes the value of diversity (which includes gender, among other things) and believes that the Corporation can benefit from the insight and good judgment that comes from including a variety of perspectives in the decision making and strategic planning process. To this end, the Corporation has adopted a Diversity Policy that makes diversity of the Board one of the criteria for the Nominating and Corporate Governance Committee to consider in recruiting and selecting potential directors. The Diversity Policy also makes diversity one of the criteria for senior management to consider in evaluating the suitability of a candidate for an executive officer position.

The Corporation does not have set targets for diversity at the Board or senior management level, as it believes that the final determination for the recruitment, selection and appointment of directors and executive officers should be made based on an individual's abilities and achievements.

As of March 31, 2017, Sherritt has two women non-executive directors (representing 25% of the Board) and one woman executive officer (representing 12.5% of the executive officers). With Ms. Marcoux's departure from the Board following the Meeting, there will be one woman non-executive director (representing 14% of the Board). In accordance with the terms of the Diversity Policy, the Nominating and Corporate Governance Committee and Management considers gender, among other factors, when seeking suitable directors and executive officers, respectively.

In general, the Corporation is committed to ensuring a diverse and inclusive work environment and has a supporting multi-year strategy.

## BOARD EVALUATION

Currently, the Chairman of the Board or a director acting on the Chairman's behalf provides annual performance reviews for Board members. The Chairman or his nominee solicits feedback from each of the director's peers on the Board to solicit feedback on the particular director's performance over the course of the past year. The Chairman or the Chair of the Nominating and Corporate Governance Committee discusses and issues arising from such solicitation with each director as part of the annual performance review. This process seeks to identify individual performance issues and effectively respond to them by discussing them with each director. In addition, the Chair of the Nominating & Governance Committee, or a director acting on his or her behalf, speaks with each director (other than the Chief Executive Officer) to solicit feedback on the Chairman's performance over the course of the past year. The Chair of the Nominating & Governance Committee then discusses any issues arising from this evaluation with the Chairman in order to effectively convey and respond to any identified performance issues. The Board evaluation process also contemplates periodic effectiveness reviews by an independent third party, including an assessment of individual director performance and the contributions of each director to the Board as a whole. This process involves interviews with each director, key executives and senior personnel of the Corporation, and external advisors. The independent third party reports to the Chair of the Governance Committee, in respect of the Chair of the Board and to the Chair of the Board in respect of all other directors. In 2014, Watson Inc. was retained to perform this review and provide its recommendations, including regarding measures to enhance overall Board effectiveness.

On a going forward basis, the board evaluation process undertaken by the Chairman of the Board will be assumed by the Lead Director.

## ETHICAL BUSINESS CONDUCT

The Board has approved and adopted a written code of business conduct and ethics (the "**Code**") that contains the rules and guidelines for ethical behavior at the Corporation. The Code is based on the Corporation's values and the laws, regulations and rules that apply to the businesses and govern the conduct of the directors, officers and employees of the Corporation. All new employees and directors must read the Code when hired and acknowledge that they will abide by the Code. The Code is available on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

The Board, through the Audit Committee, monitors compliance with the Code. The Corporation's internal auditor regularly monitors compliance with the Code and reports to the Audit Committee. The Corporation has also adopted a policy (the "**Whistleblower Policy**") for employees to report concerns regarding, amongst other things, violations of the Code. These concerns may be reported anonymously to the Corporation's Internal Audit function which will raise any such reports with the Audit Committee for further investigation and response. In addition, under the Whistleblower Policy, the Corporation has a third party-managed ethics hotline that allows employees to report any concerns about inappropriate business conduct confidentially and anonymously. Employees can report these concerns online or by phone.

The Board has not granted any waiver of the Code in favour of any director, officer or employee since its adoption by the Board. Accordingly, no material change report in respect of a waiver of the Code has been required or filed.

The Corporation finalized its Anti-Corruption Policy in 2012, and it was subsequently updated and amended in 2014 and again in 2016. Throughout its worldwide operations, the Corporation seeks to avoid any impropriety or the appearance of impropriety in the actions of its directors, officers, employees, and agents. Accordingly, the prohibitions and requirements of the Anti-Corruption Policy are designed not merely to comply with Canada's *Corruption of Foreign Public Officials Act* and other applicable anti-corruption laws, but to avoid even the appearance of questionable conduct in connection with Sherritt operations and business activities. Training sessions have been carried out across the Corporation to ensure that certain employees, especially those who interact significantly with government and other third parties, understand the policy and know how to apply it. Updated training sessions were conducted throughout Sherritt's operations in 2015 and 2016, with additional targeted training sessions for specific departments to take place in 2017.

## **DISCLOSURE POLICY**

Management of the Corporation has established a Disclosure Committee to ensure that it is communicating with Shareholders, employees and the public openly and in a timely way, as well as complying with its continuous disclosure obligations under securities laws.

The Disclosure Committee reviews all news releases and public filings prior to their release and the Corporation has mechanisms in place to evaluate the design and effectiveness of disclosure controls. In addition, all press releases and public filings disclosing the financial performance of the Corporation are then reviewed by the Audit Committee. The Disclosure Committee currently has four members: the Senior Vice President and Chief Financial Officer, the Executive Vice President and Chief Operating Officer, the Senior Vice President, General Counsel & Corporate Secretary, and the Director, Investor Relations and Communications.

Each Board committee reviews the public disclosure relevant to its mandate, where applicable, prior to the Board considering the item for approval. For example, the Audit Committee is responsible for reviewing the annual and interim financial statements and management's discussion and analysis and the Board then considers for approval the annual financial statements and management's discussion and analysis.

## **STRATEGIC PLANNING AND RISK MANAGEMENT**

The Board, with the assistance of its committees, is responsible for assessing and approving the Corporation's strategic plan and approving annual business plans developed and proposed by management. The Board provides advice and input regarding strategic opportunities, as well as issues and concerns which create risk for the Corporation. The Board is also responsible for approving the business and operational policies which govern the Corporation's approach to capital expenditures, acquisitions and dispositions, disclosure and communications, finance and investment, risk management and human resources and reviewing and discussing with management the processes used to assess and manage risk. Management updates the Board as to the principal risks of the Corporation's business at each regularly scheduled Board meeting.

## **SHAREHOLDER ENGAGEMENT**

The Corporation communicates with its Shareholders in a variety of ways including through its website, disclosure documents and management's quarterly conference calls with analysts, which Shareholders and the public can access. Specific Shareholder inquiries are handled by Investor Relations.

## **COMMUNICATION WITH THE BOARD**

The Board welcomes and is responsive to input and comments from Shareholders. Input or comments for the Board or its committees should be directed to the Corporate Secretary at:

Board of Directors of Sherritt International Corporation  
c/o Corporate Secretary  
Sherritt International Corporation  
181 Bay St.  
26<sup>th</sup> Floor  
Toronto, Ontario M5J 2T3

## COMMITTEES OF THE BOARD OF DIRECTORS

The Board has five standing committees, each of which is composed entirely of independent directors:

- Audit Committee;
- Environment, Health, Safety and Sustainability Committee;
- Human Resources Committee;
- Nominating and Corporate Governance Committee; and
- Reserves Committee.

Each of the committees has its own mandate, which sets forth its duties and responsibilities and can be found on the Corporation's website at [www.sherritt.com](http://www.sherritt.com). Each committee meets and operates independently of management in fulfilling its mandate and in making recommendations to the Board. Subject to appointments made as a result of resignations or retirements, the members of each committee are selected by the Board annually on the recommendation of the Nominating and Corporate Governance Committee.

### AUDIT COMMITTEE

Current Members: Peter Gillin (Chair), Sir Richard Laphorne, Lisa Pankratz

Mr. Gillin will serve as Chair of the Audit Committee until the Meeting. Immediately following the Meeting, a new Chair will be appointed by the Board.

The Audit Committee is composed entirely of directors who are both independent and financially literate within the meaning of Multilateral Instrument 52-110 — *Audit Committees* ("MI 52-110"). The Audit Committee's mandate is to assist the Corporation in ensuring the integrity and accuracy of the Corporation's financial reporting and disclosure controls and procedures.

The Audit Committee:

- reviews the Corporation's financial statements and management's discussion and analysis of financial and operating results;
- assists the Board in its oversight of the integrity of:
  - the Corporation's financial statements and other relevant public disclosures;
  - the Corporation's compliance with legal and regulatory requirements relating to financial reporting;
  - the external auditor's qualifications and independence;
  - the performance of the internal and external auditors;
- oversees management's responsibility for ensuring that all significant risks to the Corporation, regardless of sources, are proactively identified and managed;
- ensures that management fulfills its responsibilities to maintain effective disclosure controls and procedures and an effective system of internal control over financial reporting and reports any deficiencies to the Board;
- ensures management adequately identifies, manages, monitors and discloses the principal financial and business risks that could impact the Corporation's financial results and reporting;
- oversees procedures for the receipt, retention and treatment of complaints received regarding accounting, internal controls or auditing matters, and procedures;
- reviews the accounting principles and practices to be applied and followed by the Corporation during the fiscal year and any significant changes from those applied and followed during the previous year;
- reviews all litigation and claims involving the Corporation which could materially affect its financial position and which the auditors or General Counsel may refer to the Audit Committee;
- reviews the Corporation's tax status, significant tax issues and reviews by tax authorities;
- reviews the adequacy of insurance coverage; and
- reviews, at least annually, the quality and sufficiency of the Corporation's accounting and financial personnel.

The external auditors report directly to the Audit Committee and are accountable to the Board and the Audit Committee. The Audit Committee shall: (a) recommend for approval to the Board the appointment, and oversee the work of, the external auditors; (b) approve the audit plan; (c) review the qualifications and performance of the external auditors; (d) report to the

Board regarding the performance of the external auditors; (e) review the results of the external auditors' work; (f) assess working relationships with management and resolve any disagreements between management and the external auditors about financial reporting; (g) pre-approve the nature and fees of the non-audit services; and (h) review and approve the hiring policies regarding partners and employees and former partners and employees of the present and former external auditors.

The Internal Auditor function reports to the Chief Financial Officer and is accountable to the Audit Committee. The Audit Committee shall: (a) approve the mandate for the internal audit department; (b) ensure that the Internal Audit function has direct and open communication with the Audit Committee; (c) approve the appointment or removal of the Internal Auditor; and (d) review management's decisions related to the need for an internal audit.

The Audit Committee has access to the resources and has the authority that is necessary to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants. If such fees and expenses exceed, or are expected to exceed C\$150,000, the Audit Committee must obtain the approval of the full Board.

The Audit Committee has a written mandate that establishes its purpose, responsibilities and membership of the Audit Committee ensures that it fulfills the responsibilities contemplated by MI 52-110. The Audit Committee mandate is attached as Schedule C to the annual information form of the Corporation for the year ended December 31, 2016 (the "2016 AIF") as filed on SEDAR and is available under the Corporation's profile at [www.sedar.com](http://www.sedar.com). The mandate of the Audit Committee is also available on the Corporation's website at [www.sherritt.com](http://www.sherritt.com).

## **ENVIRONMENT, HEALTH, SAFETY AND SUSTAINABILITY COMMITTEE**

Current Members: Timothy Baker (Chair), Dee Marcoux, Lisa Pankratz

The Environment, Health, Safety and Sustainability Committee assists the Board in its oversight of environmental, health and safety, security and other sustainability management systems, policies, programs and targets.

The Environment, Health, Safety and Sustainability Committee:

- reviews and makes recommendations to the Board regarding the scope of environment, health and safety, security and sustainability risks to the Corporation's operations and future growth;
- reviews and makes recommendations to the Board on compliance with legal and regulatory requirements and any voluntary commitments the Corporation has made related to environment, health and safety, security and sustainability;
- ensures that the Corporation monitors trends and reviews current and emerging legislation and regulation, international norms, stakeholder expectations and industry best practices on the environment, health and safety, security and sustainability;
- regularly reviews management reports on environment, health and safety, security and sustainability performance;
- reviews the Corporation's annual sustainability report for external audiences;
- reviews the Corporation's processes for the selection, preparation and disclosure of sustainability performance data and information to external stakeholders and the public;
- reviews corporate-level audits and management responses/plans in the areas of environment, health and safety, security and sustainability;
- reviews the Corporation's corporate-level crisis management plan and other plans relating to emergency and disaster response;
- ensures alignment with the Audit Committee on the assessment and adequacy of controls to manage environment, health and safety, security and sustainability risks; and
- consults with the Reserves and Projects Committee regarding the identification and monitoring of environment, health and safety, security and sustainability risks and actual performance in connection with the Corporation's current or future capital projects.

The Environment, Health, Safety and Sustainability Committee has access to the resources and has the authority that is necessary to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants. If such fees and expenses exceed, or are expected to exceed \$150,000, the Environment, Health, Safety and Sustainability Committee must obtain the approval of the full Board.

The Environment, Health, Safety and Sustainability Committee has a written mandate that establishes its purpose, responsibilities and membership. A copy of the mandate is located on the Corporation's website at [www.sherritt.com](http://www.sherritt.com).

#### **NOMINATING AND CORPORATE GOVERNANCE COMMITTEE**

Current Members: Sir Richard Laphorne (Chair), Timothy Baker, Peter Gillin, Adrian Loader, Dee Marcoux, Lisa Pankratz, Hap Stephen

The Nominating and Corporate Governance Committee assists the Board in establishing the Corporation's corporate governance policies and practices. It is also responsible for identifying new candidates for nomination to the Board for approval and also reviewing the composition and functioning of the Board and its committees.

The Nominating and Corporate Governance Committee makes recommendations to the Board with respect to: (a) the size and composition of the Board; (b) the qualifications for and selection of nominees for election or appointment to the Board to fill Board vacancies; (c) the number, composition and mandates of committees of the Board; (d) the Corporation's Timely Disclosure and Confidentiality Policy and Insider Trading Policy; (e) procedures to assess the effectiveness and contribution of the Board, its committees and individual directors; (f) the Corporation's approach to corporate governance issues; and (g) the development and review of position descriptions for the President and Chief Executive Officer, the Chairman of the Board, the Lead Director and the Chair of each committee of the Board.

The Nominating and Corporate Governance Committee:

- develops and maintains a succession plan for the Board and assists the Board in ensuring that management maintains a process for succession planning of senior management;
- confirms that procedures are in place and resources are made available to provide orientation and an education program for new Board and committee members;
- reviews all proposed related-party transactions and situations involving an actual or potential conflict brought to its attention; and
- reviews and assesses the Corporation's code of business conduct and ethics.

The Nominating and Corporate Governance Committee has access to the resources and has the authority that is necessary to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants. If such fees and expenses exceed, or are expected to exceed \$150,000, the Nominating and Corporate Governance Committee must obtain the approval of the full Board.

The Nominating and Corporate Governance Committee has a written mandate that establishes its purpose, responsibilities and membership. A copy of the mandate which will be effective as of the Meeting date is located on the Corporation's website at [www.sherritt.com](http://www.sherritt.com).

#### **RESERVES COMMITTEE**

Current Members: Adrian Loader (Chair), Timothy Baker

The Reserves Committee is responsible for reviewing the mineral reserves (including oil and gas reserves) of the Corporation and its affiliated and related entities and for overseeing the availability, maintenance, growth and integrity of the Corporation's reported reserve base, including any additional potential reserves.

With respect to all reserves and resources, the Reserves Committee will receive and review a report prepared by the Corporation's legal counsel, which addresses counsel's assessment regarding regulatory compliance of the technical reports and the Corporation's proposed disclosure in connection with the technical reports.

With respect to the Corporation's mineral reserves and resources, the Reserves Committee:

- reviews the selection criteria and the appointment of the Corporation's designated qualified person(s) both independent and internal;
- reviews the reserves and resources information and the report of the qualified person(s) prior to publication of new reserves and resources estimates and prior to the disclosure of the Corporation's annual reserves and resources information;
- reviews an annual reconciliation of reserves to mine production;
- reviews the Corporation's internal controls and disclosure controls and procedures relating to reserves and resources estimation and the report of the qualified person(s) thereon;
- receives internal reports from management on all material matters related to reserves and resources estimation;

- receives reports from management on industry standards and regulations respecting the estimation and publication of reserves and resources and developments;
- reviews with the qualified person(s) the Corporation's material and/or major mineral reserves and resources risk exposures and the steps management has taken to monitor and control such exposures;

With respect to the Corporation's oil and gas reserves, the Reserves Committee:

- reviews the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities;
- reviews the selection of the qualified reserves evaluators or auditors chosen to report to the Board on the Corporation's oil and gas reserves and resource data; and
- reviews the Corporation's annual reserves and resource estimates prior to public disclosure.

The Reserves Committee has access to the resources and has the authority that is necessary to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants. If such fees and expenses exceed, or are expected to exceed \$150,000, the Reserves Committee must obtain the approval of the full Board.

The Reserves Committee has a written mandate that establishes its purpose, responsibilities and membership. A copy of the mandate is located on the Corporation's website at [www.sherritt.com](http://www.sherritt.com).

### **HUMAN RESOURCES COMMITTEE**

Members: Dee Marcoux (Chair), Peter Gillin, Adrian Loader

Ms. Marcoux will serve as Chair of the Human Resources Committee until the Meeting. Immediately following the Meeting, a new Chair will be appointed by the Board.

The Human Resources Committee's primary role is to assist the Board in fulfilling its oversight responsibilities in respect of all matters relating to director compensation and executive officer performance, evaluation, succession and compensation, including retirement plans.

The Human Resources Committee is responsible for making recommendations to the Board on the following:

- the Corporation's executive compensation structure, including the relative balance of fixed and variable elements of compensation for executive officers and other terms and conditions of employment;
- senior executive officer performance evaluation;
- executive officer succession planning;
- design of and awards under incentive and equity-based plans, including the selection of participants and the allocation of Shares or units under the plans;
- the awards made to any senior executive officer under a performance-based plan, including any adjustment for actual performance;
- directors' compensation, including the adequacy, level and composition of compensation so that the directors' compensation appropriately reflects the responsibilities and risks of being a director and member of a committee; and
- the activities of the Corporation's Management Retirement Committee to ensure the responsibilities of the Board pursuant to its mandate in respect of retirement plans are fulfilled.

The Human Resources Committee has a written mandate that establishes its purpose, responsibilities and membership. A copy of the mandate is located on the Corporation's website at [www.sherritt.com](http://www.sherritt.com).

In addition to its mandate, the Human Resources Committee establishes an annual work plan. Details of the 2016 annual work plan are provided in the table below.

Meeting	Details
All Meetings	<ul style="list-style-type: none"> <li>• Management Retirement Committee Report</li> <li>• Equity-based Compensation Report</li> <li>• Human Resources Strategic Initiatives Report</li> <li>• Review year-to-date organizational performance</li> <li>• In-camera sessions without management present</li> </ul>
January	<ul style="list-style-type: none"> <li>• Preliminary review of prior year’s organizational performance and the individual performance of each of the senior executive officers, including the Named Executive Officers (“NEO”)</li> </ul>
February	<ul style="list-style-type: none"> <li>• Recommend to the Board approval of prior year short-term incentive awards for senior officers, including the NEOs, in respect of the prior year</li> <li>• Recommend to the Board approval of current year: (i) performance goals; (ii) base salaries, short-term incentive targets and equity-based compensation awards for senior executive officers; and (iii) total inventory for share-based compensation awards available for eligible executives and employees below the level of senior executive officer</li> <li>• Review the compensation comparator group</li> </ul>
June	<ul style="list-style-type: none"> <li>• Annual review of the Committee’s mandate</li> <li>• Review analysis of one and three year corporate performance relative to comparator group</li> <li>• Review report on governance trends, with particular emphasis on comparator group practices</li> </ul>
September	<ul style="list-style-type: none"> <li>• Report on 2016 say-on-pay voting results</li> <li>• Review management’s in-depth executive compensation report, solicit input and advice from the independent advisor and made recommendations to the Board</li> <li>• Review the directors’ compensation in comparison to the results of the market compensation study, which includes an analysis of the amount, mix and relative market position by function and scope of role</li> </ul>
November	<ul style="list-style-type: none"> <li>• Advise the Board on management’s succession, training and development plans following an in-depth review</li> <li>• Review compensation programs and processes and deliver compensation-related risk report to the Board</li> <li>• Recommend to the Board approval of amendments to the Statement of Investment Policies and Procedures upon the recommendation of the Management Retirement Committee</li> </ul>

As a former senior executive and director of various public companies, the Chair of the Human Resources Committee has extensive experience recommending executive compensation structures and individual pay decisions. The other members of the Human Resources Committee similarly bring a wide range of skills and experience to the Committee. The diversity of the skills and experiences of each Committee member is the basis for the informed discussions and decisions made by the Committee on the Corporation’s compensation policies and practices and the assessment of performance on both an individual and an organization level. These skills and experiences include, but are not limited to: industry knowledge; operational experience; human resources management and compensation design experience; financial knowledge; and international business experience.

The Human Resources Committee has access to the resources and the authority necessary to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants. If such fees and expenses exceed or are expected to exceed \$150,000, the Human Resources Committee must obtain the approval of the full Board.

Management is invited to attend and present recommendations and updates at every Human Resources Committee meeting. The Human Resources Committee’s independent advisor (as described below under “*Compensation Discussion & Analysis — Compensation Governance — Independent Advisor*”) attends all regular meetings in person or by phone to provide advice and consultation. The Human Resources Committee meets *in camera* without management present at each regularly scheduled meeting.



May 5, 2017

Dear Fellow Shareholders,

Consistent with the Human Resources Committee mandate and as discussed in last year's letter, the Human Resources Committee ensures the continued relevance of Sherritt's executive pay philosophy, strategy, structure and process. The Human Resources Committee annually reviews executive pay and recommends changes to the Board of Directors as appropriate.

Management's attention is on those factors that they can influence and that will bring mid- and long-term sustainability to the Company and value to the shareholders. The focus is on liquidity preservation, cost-structure, a disciplined approach to capital allocation, excellence in operations, a safety culture of zero harm and building a culture of accountability for performance.

In 2016, the commodity markets continued to be challenging for producers with 10 nickel producers ceasing production by year end. Nickel prices somewhat recovered with a 17.7% increase through 2016, which followed the 2012-2015 time period during which nickel prices declined by 53.6%.

Consistent with Sherritt's focus on what is controllable, the mid- and long-term sustainability of the Corporation, and the ability to manage through all phases of the commodity cycle there were numerous achievements in 2016. However they were marred by the four fatalities at Moa.

Achievements in 2016 included:

- Successfully negotiated a three-year extension of maturity dates on Sherritt's \$720 million of outstanding senior unsecured debentures
- Further preserved our liquidity by not funding Ambatovy while discussions continue to address Ambatovy's capital structure
- The Moa acid plant project was completed on time and on budget
- The Moa Joint Venture's 2016 NDCC ("Net Direct Cash Cost") was US\$3.50/lb
- Ambatovy's Q4 NDCC reached a low of US\$3.10/lb
- Oil production exceeded target and exploratory drilling on Block 10 commenced

- Successfully extended the term of the Varadero Power Generation Facility to 2023
- Excellent safety culture work continuing in Ambatovy where we went a full year without a lost time incident
- No environmental incidents

### **2016 Executive Compensation**

Over the course of 2016, as part of our ongoing engagement with shareholders, we undertook a shareholder outreach campaign and contacted our largest shareholders representing approximately 40% of issued and outstanding shares. Meetings were offered with the Board Chair and a member of the Human Resources Committee, with or without management present, to discuss the Corporation, its strategy and executive compensation. Meetings were held with shareholders who represent approximately 19% of issued and outstanding shares, with the other shareholders we contacted advising that a meeting was not necessary.

We welcomed the opportunity to receive input from our shareholders. Our plan is to incorporate the feedback provided to us through this outreach process into the evaluation and refinements of the executive compensation program.

Throughout 2016, the senior executive team focused on those aspects of the business over which they have some control and influence. The market dictates the realized price of our products and the overall financials of the Corporation reflect the impact that actual commodity prices have had on our 2016 results. All members of the senior executive team, including the Named Executive Officers are accountable for the ultimate results. Each are also accountable for looking forward to ensure that what is being done today is focused on the future sustainability of the Corporation for the mid- and long-term.

The CEO's 2016 short-term incentive award reflects only the performance of the Corporation, there is no individual performance factor. For the other NEOs the performance of the Corporation, their respective division, if applicable, and the executive's individual performance and contribution to the Corporation's goals, influenced the final short-term incentive award amount. Consistent with comments received from our shareholders in our outreach discussions with them, we have substantially enhanced our disclosure with respect to target metrics, measurements and assessment in order to enhance

transparency in relation to this process. Each of the organization's performance goals, targets and results are discussed in detail in the following Compensation Discussion & Analysis.

All members of the senior executive team, including the Named Executive Officers, have had their 2016 short-term incentive awards reduced in respect of the tragic incident at Moa, where four employees lost their lives, as a municipal bridge deck they were repairing collapsed. In addition, to reinforce that regardless of function or position, the safety of our employees is of paramount importance, all employee short-term incentive pools were reduced and individual awards have been further reduced where appropriate.

In 2016 a comprehensive executive compensation review was undertaken, it included:

- Assessing the continued relevance of our compensation philosophy as the markets and our business evolves
- Assessing the impact of business environment on the compensation philosophy

Changes were made to Sherritt's executive compensation in 2016 consistent with views expressed during our shareholder outreach discussions. These changes will

impact 2017 executive pay and will be fully disclosed in next year's Management Information Circular. At a high level, these changes included:

- Updating our comparator group, for executive and director compensation benchmarking purposes
- Increasing the proportion of executive compensation awards that are performance-based
- Introducing an internal financial performance measure to the performance share units, in addition to relative total shareholder return measure

We will continue to regularly review our executive compensation structure to ensure the design, the mix, and amount remain aligned with market practice and that compensation is fair, performance based and clearly connects compensation to the long-term strategy and goals of the Corporation.

Yours truly,

*Dee Marcoux*

Dee Marcoux  
Human Resources Committee Chair

## COMPENSATION DISCUSSION & ANALYSIS

### OVERVIEW

Sherritt's compensation philosophy is to pay for performance, where performance is measured against strategic and annual goals that are aligned to our purpose — to be a low cost nickel producer that creates prosperity for our stakeholders: our investors, our employees and our communities. Performance is measured in the following three categories: (i) Financial, (ii) Operational and (iii) Sustainability and Rewarding Workplace.

In 2016, the Corporation faced significant financial pressure due to the continuing prolonged commodity market weakness and the need to preserve liquidity. The Corporation responded by proactively managing capital spending budgets to defer spending where possible; preserving liquidity; significantly reducing operating and administrative costs in sustainable ways, including reducing headcount; and continuing to pursue a culture of accountability and pay for performance and while focusing on elements within the control of management.

The table below lists the Corporation's 2016 strategic priorities and highlights the Corporation's performance against those priorities in 2016:

<b>STRATEGIC PRIORITIES</b>	<b>2016 TARGETS</b>	<b>2016 PERFORMANCE</b>
<p>① Uphold global operational leadership in finished nickel laterite production</p>	<p>Complete and commission the acid plant at Moa in the second half of 2016</p> <p>Further reduce Net Direct Cash Costs ("NDCC") at Moa and Ambatovy towards the goal of being in the lowest quartile</p> <p>Increase Ambatovy's production over 2015, despite the major maintenance work scheduled for Q3</p> <p>Maintain peer leading performance on environmental, health, safety and sustainability</p>	<p>✓ Completed on time and on budget</p> <p>✗ Moa's Q1 and Q2 and Ambatovy's Q4 NDCCs were amongst the lowest 12 of 61 global nickel producers who continued to produce in Q4 2016 (excluding those with negative or zero costs)</p> <p>✗ Ambatovy's 2016 production was 11% below prior year due to reliability issues</p> <p>✓ Exceeded all environmental and sustainability goals</p> <p>✗ 4 fatalities occurred at Moa while repairing a bridge deck following Hurricane Mathew</p>
<p>② Extend the life of our Cuban energy business</p>	<p>Allocate capital to new drilling on Block 10, with future drilling to be contingent on results from 2016 activity</p>	<p>✓ Strategic capital spending for Block 10 drilling program</p>
<p>③ Preserve liquidity and build balance sheet strength</p>	<p>Protect Sherritt's balance sheet and preserve cash</p> <p>Establish clarity on long-term funding of Ambatovy</p> <p>Run business divisions to be free cash flow neutral, and continue to optimize administrative costs</p>	<p>✓ Extended the maturity dates on publicly traded debt</p> <p>✓ Repaid \$66 million of debt</p> <p>✓ Continued with partner discussions on "40 for 12" issue, successfully negotiated non-defaulting shareholder status</p> <p>— Prolonged low commodity prices impacted free cash flow, consistent administrative costs over prior year</p>

## COMPENSATION GOVERNANCE

The Human Resources Committee is responsible for assisting the Board in fulfilling its governance responsibilities in respect of all matters relating to director and executive compensation.

To assist with its duties, the Human Resources Committee retains Meridian Compensation Partners as its independent advisor. Meridian Compensation Partners (“**Meridian**”) has been the Human Resources Committee’s external compensation consultant since October, 2011 and has not provided any services to management. Meridian’s mandate is to provide independent advice to the Committee on executive and director compensation. Meridian attends all regularly scheduled Human Resources Committee meetings and provides advice to the Human Resources Committee in respect of the compensation comparator group, benchmarking of executive and director compensation, review of short-term and long-term incentive plan design vehicles and metrics, assessment of compensation risk and compensation governance.

The fees paid to Meridian Compensation Partners in each of the financial years ended 2015 and 2016 are provided in the table below.

	<u>2015</u>	<u>2016</u>
Independent Advisor Fees . . . . .	\$50,861	\$60,495
All Other Fees . . . . .	Nil	Nil
<b>Total Fees Paid</b> . . . . .	<b><u>\$50,861</u></b>	<b><u>\$60,495</u></b>

## MANAGING COMPENSATION RISK

The Human Resources Committee is responsible for evaluating compensation-related risk and annually reviews the relationship between risk management policies, corporate strategy and executive compensation. This is achieved by aligning executive compensation programs with the risk assessment approved by the Board as outlined in the mandate of the Board, attached as Schedule “A”.

Based on its review of enterprise risks, incentive plans, total reward programs and supported by its independent advisor, the Human Resources Committee has concluded that the Corporation’s compensation programs and policies are not reasonably likely to have a material adverse effect on the Corporation by incenting inappropriate risks. Factors considered in arriving at this conclusion include, among other things, the following:

- A strong governance culture which ensures effective oversight;
- Use of balanced measures, including qualitative and quantitative measures and assessment to determine short-term incentives;
- Incorporates time and performance vesting as part of equity-based compensation programs;
- Equity-based awards are granted annually and have different vesting provisions to ensure that management remains exposed to the long term consequences of their decisions through the unvested equity-based awards;
- Share ownership requirements for directors and executives;
- Board review and approval of executive compensation recommendations;
- The Corporation’s Insider Trading Policy prohibit directors, officers and other employees from purchasing financial instruments that are designed to hedge or offset a decrease in the market value of Shares and restricts the pledging of shares; and
- A policy that permits recoupment of incentive compensation if there is a material financial restatement as a result of intentional misconduct.

## COMPARATOR GROUP

A compensation comparator group provides market information to support the benchmarking of executive and director pay. It is a challenge for Sherritt to establish a compensation comparator group that captures the diverse nature and complexity of its operating assets in nickel, cobalt, oil and power, and the geographical distribution of those operations being Canada, Cuba and Madagascar. Sherritt’s uniqueness requires developing a comparator group that in aggregate reflects the scope and complexity of our business as no true comparators exist. We do this using the following criteria:

- i. ½ to 3 times Sherritt’s size based primarily on assets (normalized to recognize Sherritt’s proportionate share of the Moa and Ambatovy joint venture assets). IFRS accounting rules require the Moa joint venture assets be reported net of

liabilities as an 'Investment in a joint venture' on Sherritt's balance sheet. These same rules require the Ambatovy joint venture's assets be reported net of liabilities as an 'Investment in an associate' on Sherritt's balance sheet. This treatment results in Sherritt's total assets incorporating the liabilities of the Moa and Ambatovy joint ventures and as such our reported assets are understated relative to the assets we manage. Normalizing total assets to remove these liabilities is a means of comparing Sherritt's assets to others for the purpose of determining a comparator group of similar sized and complex organizations.

Revenue disclosed on Sherritt's income statement does not include any revenue from the Moa and Ambatovy joint ventures due to the nature of joint venture accounting rules under IFRS. In addition to Sherritt's reported 2016 revenue of \$262.3 million, the Moa and Ambatovy joint venture generated \$586.2 million (100% basis) and \$662.1 million (100% basis) in 2016 revenue, respectively.

Sherritt believes normalized assets to be a better measure than one based solely on reported revenues, unadjusted assets or market capitalization. For a more detailed discussion on non-IFRS measures reference the 2016 Management Discussion and Analysis.

- ii. metals mining and energy sector companies, captures the two distinct sectors in which we compete and operate.
- iii. publicly traded on a Canadian stock exchange, as Sherritt is publically traded and listed on the Toronto Stock Exchange (TSX).
- iv. multiple international operations, to reflect the complexity of international operations that comprises Sherritt's businesses; and
- v. secondary tests of reported assets and revenue.

In February 2016, the Human Resources Committee and the Board, with the advice of its independent advisor, reviewed the comparator group and determined that no changes were warranted at that time. The comparator group is used to benchmark director and executive pay practices and compensation. Sherritt targets pay within a competitive range of the median of the comparator group.

The 2016 comparator group consists of the following 19 organizations:

AGNICO EAGLE MINES LTD.	HUDBAY MINERALS INC.
ARC RESOURCES LTD.	IAMGOLD CORP.
ATCO LTD.	KATANGA MINING LTD.
CAMECO CORP.	KINROSS GOLD CORP.
CAPSTONE MINING CORP.	LUNDIN MINING CORP.
CRESCENT POINT ENERGY CORP.	NEVSUN RESOURCE LTD.
ELDORADO GOLD CORP.	PENN WEST PETROLEUM LTD.
ENERPLUS CORP.	THOMPSON CREEK METALS CO.
FIRST QUANTUM MINERALS LTD.	YAMANA GOLD INC.
FORTIS INC.	

In September 2016, as part of the comprehensive executive compensation review, the comparator group was reviewed. The application of the established criteria, discussed above, resulted in changes to the composition of the comparator group for 2017. Three companies were removed from the group, ATCO Ltd. and Fortis due to size; and Thompson Creek Metals Co, due to its merger with Centerra Gold Inc. Three companies were added to the comparator group: Alamos Gold Inc.; Dundee Precious Metals Inc.; and Primero Corp. These changes result in a comparator group of 17 consisting of: 37% metal mining, 42% gold/silver; and 21% crude petroleum and natural gas companies.

## **DIRECTOR COMPENSATION**

Individual directors add value by bringing skills, knowledge and experience that complement those of their colleagues on the Board. This provides diversity and balance in views and perspectives and ensures a well-informed and thoughtful exchange with management. Directors are expected to attend Board and Committee meetings unless there are exceptional circumstances that preclude attendance.

Director compensation is regularly reviewed to ensure the ability to attract and retain qualified directors to the Board. In making its compensation recommendations to the Board, the Human Resources Committee considers:

- The level of compensation required to fairly reflect the responsibilities of serving as a director; and

- The alignment of the interests of directors and Shareholders by:
  - having director share ownership requirements; and
  - having 50% of the annual retainer delivered as DDSUs which are held until a director retires or otherwise ceases to serve on the Board, and which are valued at the prevailing market price when redeemed. See the section entitled *Director Share-Based Awards* below for additional information concerning DDSUs.

### **Director Benchmarking**

Director compensation is benchmarked relative to the same comparator group that is used to benchmark executive compensation.

### **Director Fees**

Director fees are intended to compensate directors for their oversight, responsibility, skills, time, effort, and governance accountabilities. No changes were made to director fees in 2016. Directors who also serve as executive officers are not entitled to director fees. The 2016 director fees are outlined in the table below.

	<u>Cash</u>	<u>DDSUs</u>
Chairman of the Board Annual Retainer . . . . .	\$180,000	\$180,000
Director Annual Retainer . . . . .	\$ 90,000	\$ 90,000
Audit Committee Chair Annual Retainer . . . . .	\$ 15,000	
Human Resource Committee Chair Annual Retainer . . . . .	\$ 15,000	
Other Committee Chair Annual Retainer . . . . .	\$ 5,000	

The cash and DDSU components of each director’s annual retainer are paid and granted, respectively, in equal quarterly installments, in arrears. A predetermined schedule of grant dates has been set in advance so that DDSUs can be awarded quarterly, in arrears, and not impacted by trading blackout periods.

### **Director Share Ownership Requirements**

Director share ownership requirements (“**Director SOR**”) were established in 2005 to ensure that directors have significant financial alignment with Shareholders. The Board regularly reviews the requirements and makes changes from time to time to ensure the continued alignment of directors’ interests with those of Shareholders. Effective September 19, 2014, the share ownership requirement for directors increased from three times to five times the cash component of each director’s annual retainer, excluding Committee Chair retainers. The Director SOR must be met by the later of: (i) five years after the Board approved the most recent Director SOR; or (ii) the Director’s fifth anniversary of election or appointment, to the Board.

The greater of the acquisition/grant date value and the closing price on the Toronto Stock Exchange on December 31, 2016 (\$1.33) is used to determine the aggregate value of the securities for purposes of the Director SOR in 2016. Shares personally held or controlled by a director and DDSUs granted to a director count towards the Director SOR.

The table below provides the Director SOR for each director as of December 31, 2016, and includes DDSUs for services performed in 2016 but not granted until January 2017, as Directors are paid in arrears.

Name <sup>(1)</sup>	Guideline		Securities Ownership			Ownership Multiple of Retainer		Minimum Ownership Met <sup>(2)</sup>
	Multiple of Cash Retainer	Total (\$)	Common Shares (\$)	DDSUs (\$)	Total Ownership (\$)	Based on Common Shares	Based on Total Ownership	
Timothy Baker	5	450,000	48,844	313,807	362,651	0.5	4.0	In progress
Peter Gillin	5	450,000	142,897	599,900	742,797	1.6	8.3	Yes
Sir Richard Lapthorne	5	450,000	230,463	491,285	721,748	2.6	8.0	Yes
Adrian Loader	5	450,000	76,580	382,116	458,696	0.9	5.1	Yes
Dee Marcoux	5	450,000	439,753	702,560	1,142,313	4.9	12.7	Yes
Lisa Pankratz	5	450,000	76,944	359,555	436,499	0.9	4.8	In progress
Hap Stephen	5	900,000	385,202	835,652	1,220,854	2.1	6.8	Yes

**Notes:**

- (1) Mr. Pathe does not appear in this table as he is subject to executive share ownership requirements in his capacity as President & Chief Executive Officer. See the section entitled *Executive Share Ownership Requirements* on page 66 for more information on executive share ownership requirements.
- (2) Mr. Baker and Ms. Pankratz have until September 19, 2019 to satisfy their share ownership requirements (being the fifth anniversary of the adoption of the most recent director share ownership requirements in September 2014).

**Director Compensation Table**

The total compensation, including the value of DDSUs, awarded to the directors in respect of the fiscal year ended December 31, 2016 was \$1.8 million. The following table provides the details for compensation received by each of the directors for serving on the Board in 2016.

Name <sup>(1)</sup>	Fees Earned (\$)	DDSU Awards <sup>(2)</sup> (\$)	Option-Based Awards (\$)	Non-Equity Incentive Compensation (\$)	All Other Compensation <sup>(3)</sup> (\$)	Total Compensation (\$)
Timothy Baker	95,000	90,006	Nil	Nil	Nil	185,006
Peter Gillin	105,000	90,006	Nil	Nil	Nil	195,006
Sir Richard Lapthorne	95,000	90,006	Nil	Nil	Nil	185,006
Adrian Loader	95,000	90,006	Nil	Nil	Nil	185,006
Dee Marcoux	105,000	90,006	Nil	Nil	150,000	345,006
Lisa Pankratz	90,000	90,006	Nil	Nil	Nil	180,006
Hap Stephen	180,000	180,007	Nil	Nil	150,000	510,007

**Notes:**

- (1) Mr. Pathe does not appear in this table as he is an executive director and a NEO. Mr. Pathe does not receive any compensation for serving as a director. Information relating to Mr. Pathe's compensation is provided on page 50.
- (2) The number of DDSUs granted to each director was calculated by dividing the compensation value of the award by the market price in respect of the specific grant date. The number of units granted is rounded up to the nearest 5 units. There were four grant dates in respect of 2016 DDSUs: April 15, 2016, July 15, 2016, October 17, 2016 and January 15, 2017. The Market Prices were \$0.78, \$0.90, \$0.81 and \$1.55, respectively.
- (3) Certain directors have been listed under Title IV of the Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996 of the United States (the "Helms Burton Act") and have been advised by the United States Department of State that they, their spouse and minor children are inadmissible for entry into the United States. In recognition of the hardship, loss of opportunity and emotional distress suffered by such directors and their respective families, they receive a "Helms-Burton Allowance". Although these allowances are not considered compensation they have been included as "All Other Compensation" in the table above in the interest of providing full disclosure. Such allowances are not grossed-up for tax purposes.

The policy with respect to the Helms-Burton Allowance was amended in 2014 so that it applies only to those directors who are named on the Helms-Burton list. Ms. Marcoux and Mr. Stephen are currently on the Helms-Burton list.

## Director Share-Based Awards

The following table provides the details of the DDSU Plan. No amendments were made to the DDSU Plan in 2016.

Feature	Description
Securities	Phantom share units that track the value of Shares.
Eligibility	Non-Executive Directors.
Calculation of Award	The compensation value is divided by the volume-weighted average trading price of a Share on the TSX for the five trading days immediately preceding the applicable date (the " <b>Market Price</b> "). The number of units granted is rounded up to the nearest 5 units.
Dividends	The value of dividends paid on Shares, if any, is converted into additional DDSUs.
Vesting	DDSU's vest on the grant date.
Redemptions	DDSU's are redeemable after the DDSU participant ceases to be a director and no later than December 31 <sup>st</sup> of the calendar year following cessation from service. DDSU's are valued at Market Price as at the redemption date.
Amendments and Variation	The Board may at any time amend the DDSU Plan provided that no amendment materially affects any rights acquired by a participant under the plan. The Board may also, with the consent of the participant, approve any variation in terms of DDSU's that have been granted to the participant.

## Outstanding DDSU Awards

The following table provides information concerning all outstanding DDSU awards held by directors as of December 31, 2016. No other share-based awards or Stock Options are granted to directors. DDSU awards are fully vested on the date of grant.

Name	Market or Payout Value of Vested DDSU Awards Not Paid Out or Distributed <sup>(1)</sup> (\$)
Timothy Baker	243,480
Peter Gillin	307,483
Sir Richard Laphorne	287,599
Adrian Loader	266,213
Dee Marcoux	327,402
Lisa Pankratz	258,064
Hap Stephen	546,937

### Notes:

- (1) The "Market or Payout Value of Vested Share-based Awards not Paid Out or Distributed" is calculated by multiplying the number of DDSU's by the closing price of Shares on the TSX on December 31, 2016, which was \$1.33.

### Value Vested or Earned During the Year

The following table provides information concerning the aggregate dollar value that would have been realized by the directors had their DDSU awards that vested during 2016 been paid out on the vesting date.

Name	DDSU Awards <sup>(1)</sup> (\$)
Timothy Baker	90,008
Peter Gillin	90,008
Sir Richard Lapthorne	90,008
Adrian Loader	90,008
Dee Marcoux	90,008
Lisa Pankratz	90,008
Hap Stephen	180,008

**Note:**

(1) The value vested during the year is calculated by multiplying (i) the number of DDSUs that vested during the year by (ii) the grant date Market Price which is the volume-weighted average trading price of a Share on the TSX for the five trading days immediately preceding each grant date. There were four grant dates in respect of DDSUs that vested during 2016: January 15, 2016, April 15, 2016, July 15, 2016 and October 17, 2016. The Market Prices were \$0.62, \$0.78, \$0.90 and \$0.81, respectively.

### EXECUTIVE COMPENSATION

Executive compensation at Sherritt is principle-based and grounded in sound executive compensation practices. It is strategically aligned to the goals of the Corporation; balances risk and reward; aligns the interests of shareholders and executives; acknowledges the degree of influence over outcomes an executive has (line-of-sight); differentiates on the basis of size and complexity of role and performance; recognizes the time horizon of the executive role; is market competitive; and is underpinned by a disciplined governance process led by the Human Resources Committee and Board of Directors, including a strong performance management process.

The objective of the executive compensation program is to enable the attraction and retention of a strong, focused and resilient executive team, to lead the Corporation through all phases of the commodity cycle. To achieve our objectives of the executive compensation program, the following are the foundational elements of the program:

- **Pay for capabilities. Base salary** is a fixed element of compensation, paid in cash and is linked to the size and scope of each executive's job and the individual executive's competencies, skills and experience. Executive base salaries are aligned to the value of those skills, both internally and externally. We define market competitive base salaries to be the median of the market.
- **Reward for achieving annual performance goals. Short-term incentive awards** are variable and performance-based. They are a variable element of compensation with an annual focus and are paid in cash. They are a reward for achieving or exceeding annual operating goals and progress towards strategic multi-year goals. Target award levels are determined relative to the size and complexity of the executive role, market practice and competitive levels of total cash (base salary plus short-term incentive at target performance) for expected levels of performance. We define competitive target total cash to be the median of the market.
- **Include compensation that is equity-based with a multi-year focus. Mid- and long-term incentive awards** are equity-based compensation and are: variable; performance-based; and extend over a multi-year time frame. Mid- and long-term incentive awards are a means to align executive and shareholder interests and they serve as a retention tool as the awards are forfeited if the executive resigns prior to vesting. Equity-based awards align to the longer term time horizon of executive roles as they vest over time. Additionally, the vesting and ultimate value of certain share unit awards is dependent on the Sherritt's relative total shareholder return. The value of the awards, the performance conditions, the relationship between pay and performance, the downside risk and upside opportunity are benchmarked to the market. For more information on the RSUs and stock options awarded in 2016, see the individual NEO compensation sections starting on page 50.
- **Provide an appropriate mix of fixed and performance-based compensation.** The proportion of fixed and variable performance-based compensation elements is aligned to the complexity and time horizon of the executive's key responsibilities thereby aligning their focus on mid- to long-term success and sustainability of the Corporation. The mix of compensation is benchmarked to the market, to ensure competitiveness.

- **Supported by a strategic, vertically aligned goal setting and performance management process.** The Corporation's strategic plan and annual business plan is reviewed annually and approved by the Board. From the strategic plan and the annual business plan, annual performance goals are defined which in turn are cascaded to the senior executive team and onward to their respective teams. The Human Resources Committee and Board provide clarity of performance expectations by reviewing and approving the individual annual performance goals for the members of the senior executive team.
  - **President & CEO:** Immediately following the end of the fiscal year, the President & CEO prepares his self-assessment of his achievements against his goals and reviews the same with the Human Resources Committee Chair. In parallel, the Human Resources Committee Chair discusses the President & CEO's individual performance with each independent director. While the outcome of the President's & CEO's individual performance assessment does not impact his short-term incentive award which is 100% based on organizational performance, the individual performance assessment is the formal opportunity to provide the President & CEO with performance feedback and is an input into decisions with respect to: base salary, mid- and long-term incentive awards and is a qualitative influence for the Human Resources Committee and Board to consider when making any compensation decision.
  - **Other Senior Executive Officers, including the NEOs:** Immediately following the end of the fiscal year all senior executive officers prepare self-assessments of their achievements measured against their goals and review the same with their immediate managing executive. The President and CEO, in consultation with the EVP and COO for the divisional executives, prepares recommendations for base salary, short-, mid- and long-term incentive awards for the senior executive officers taking into consideration growth of individual capabilities, organizational and individual performance. The President & CEO makes his recommendations to the Human Resources Committee and Board for approval during the February Committee and Board meetings.
- **Provide health, retirement savings and well-being benefits.** All employees, including the senior executive, participate in, or are eligible for health, retirement savings, paid vacation and other well-being benefit programs. The programs include medical and dental benefits, disability coverage, life and accident insurance coverage, retirement savings, share purchase plan and international assignment allowances (as applicable). For executives, additional taxable benefits consist of: a perquisite allowance which is provided in lieu of club memberships, car allowances, etc.; and a voluntary executive medical which is paid for by the Corporation, neither of which are grossed up for tax purposes. The benefits, retirement savings and other well-being benefits are benchmarked to market and form part of our competitive total rewards offering.

All aspects of executive compensation are regularly reviewed to ensure continued focus on the success and sustainability of the Corporation. This is achieved by establishing a link between performance and pay while building equity ownership.

For more information about how performance is measured, please see the section entitled *2016 Short-Term Incentive Awards — The 2016 Measure and Mid- and Long-term Incentive Awards — Annual Awards* below.

### **2016 Components of Executive Compensation**

Executive compensation consists of a number of components that an executive receives in exchange for his or her knowledge, skills, efforts and business results. The following table provides an overview of the 2016 executive compensation components; the details of each of the components follow the table.

Component	Purpose	Form of Award	Performance Period	Payment
Base Salary	Compensates executives for capabilities, skills and accountability required of their roles.	Cash	One Year	Fixed — enables differentiation on the basis of role size and complexity, demonstrated skills and capabilities of the executive.
Short-Term Incentive	Rewards executives for meeting or exceeding annual goals and progress towards strategic initiatives.	Cash	One Year	Variable and performance-based — award based on achievement of annual goals. Actual award value could range from 0% – 200% of target.

Component	Purpose	Form of Award	Performance Period	Payment
Mid-term Incentive	Rewards executives for creating mid-term Shareholder value and provides retention.	Restricted Share Units	Three years	Variable and performance-based — payment value of the award depends on share price and the relative total shareholder return (“RTSR”) performance. For more information see <i>2016 Short-Term Incentive Awards — Mid- and Long-term Incentive Awards</i> . Settled in cash.
Long-term incentive	Rewards executives for creating long-term Shareholder value.	Stock Options	Ten years (1/3 vests on the first 3 annual anniversaries of the grant)	Variable and performance-based — Value depends on the appreciation of the share price from the time of grant to the time of exercise. Stock options can expire with no value. Settled in treasury shares.
Health, Retirement and Well-being Benefits	Health and dental benefits invests in executive health	In kind	Ongoing	Values are not grossed-up, should a benefit be subject to tax.
	Retirement savings provides an important source of retirement savings	Cash	Ongoing	12% of the executive’s base salary is directed to a retirement savings program. For more information, please see the section entitled Pension Benefits found on page 68.
	Perquisite allowance is in lieu of club memberships, car allowances, etc.	Cash	Ongoing	Fixed — value determined by executive level.
Expatriate Premiums and Allowances	Recognizes the personal adjustment required for the executive and his/her family inherent with an international assignment	Cash	Duration of assignment	Fixed — value determined by assignment location.

### **Base Salary**

Base salaries are reviewed annually, typically at the beginning of each year and are only adjusted to reflect an executive’s consistently demonstrated increased capabilities, expertise and leadership in the execution of the executive’s role and/or to reflect changes in the scope of the role or market. Changes to a senior executive officer’s base salary, other than the President & CEO’s, is recommended by the President & CEO to the Human Resources Committee. All such changes are recommended by the Human Resources Committee to the Board for approval. Typically any changes are effective April 1<sup>st</sup> to align with the base salary review process for all salaried employees.

### **Short-Term Incentive**

Short-term incentives (“STI”) reward executives including the NEOs, for their contribution towards achieving annual operating goals and progress towards multi-year strategic initiatives. STI target awards are a percentage of base salary, are based on the scope of the role and are market competitive. Award values can range from 0% to 200% of target awards with target performance aligned to 100%.

The value of STI awards is determined based on the following:

- Organizational performance is measured at the Corporation-wide and at the Divisional level on a quantitative and qualitative basis. Financial, operational and sustainability & rewarding workplace targets are established at the beginning of each the fiscal year and align with the Corporation’s strategic priorities. Organizational performance

against the targets is monitored by the Human Resources Committee and Board of Directors as a regular item on each quarterly agenda of the Human Resources Committee and Board.

- Individual performance is measured against personal goals which are established at the beginning of each fiscal year and are aligned with the Corporation's annual strategic priorities.

Consistent with the foundational principles of executive compensation, specifically the executive's line-of-sight, time horizon of the role and the executive's functional accountabilities, the weightings of organizational and individual performance components varies by the level of the executive.

To ensure alignment with the individual executive's accountabilities the organizational component consists of Corporation-wide, divisional performance measures and an individual component for all NEOs except for the President and CEO. For the Divisional NEOs, the operational performance component aligns with their respective division. For the CEO and the Corporate NEOs the focus is on overall performance of the Corporation with the operational component measured by aggregating the Divisional performance results. Organizational performance measures are weighted to align with the accountabilities of the role consistent with the purpose of the STI, which is to recognize and reward the achievement of annual operating goals with a focus on elements more under the control of management.

STI awards are determined annually at the February Human Resources Committee and Board meetings following the close of the fiscal year. The quantitative results (actual performance as a percentage of target performance) are reviewed in the overall context of the markets, global economic conditions and the Corporation's response to the same. The Human Resources Committee and the Board make their final determinations by applying sound business judgment with input from management and from their independent advisor. The Board has discretion to adjust awards up or down based on this qualitative overlay.

### ***Mid- and Long-Term Incentives***

Mid- and long-term incentives align the interests of employees with shareholders. Awards are based on the scope and time horizon of the role. Mid- and long-term incentives are variable as the payment value of the award is based on Share price and/or performance factors.

Awards granted under the mid- and long-term incentive programs are aligned with the following compensation principles:

- Align with shareholder interests through share and option based awards;
- Reward for contributions by recognizing the achievement of mid- and long-term corporate and strategic goals; and
- Support retention through deferred vesting.

Mid- and long-term incentives are forward looking and are determined annually at the February Human Resources Committee and Board meetings.

### ***Benefits***

The benefits program is 100% employer-paid and includes medical, dental, short- and long-term disability, and life insurance coverage.

All employees, including the NEOs have the opportunity to purchase Shares through the Employee Share Ownership Plan (“ESOP”) which was introduced in 2014.

<b>ESOP</b>	
<b>Description</b>	Employees, including executives, who voluntarily choose to participate, direct up to 10% of their base salary for the purchase of Shares.  The Corporation matches 50% of the employee contribution, up to a maximum of \$2,500 per calendar year.
<b>Securities</b>	Shares are purchased at the time the contribution is made. The timing of the contributions is linked to the participant’s pay date. Shares are bought on the open market.
<b>Purchase Price</b>	The purchase price is the price of Shares at the time of purchase on the open market.
<b>Restrictions/Limitations</b>	Participants cannot sell or transfer Shares purchased with employer contributions until they have participated in the ESOP for 24 consecutive months. Enrolment and changes to the employee’s participation are subject to the Corporation’s Insider Trading Policy.
<b>Cancellations</b>	Employees can cancel their participation at any time, subject to restrictions/limitations noted above. If an employee cancels participation in the plan prior to making 24 consecutive months of contributions, Shares purchased with employer contributions are forfeited.
<b>Amendments and Variations</b>	The Board may amend ESOP at any time.

#### **Retirement Savings**

The retirement program is an employer-paid savings program. Contributions are a fixed percentage of base salary and are determined based on market practice.

	<b>Group Retirement Savings Plan (“Group RSP”)</b>	<b>Executive Supplementary Pension Plan (“ESPP”)</b>
Eligibility	All Employees, including the NEOs.	Senior executives who are subject to Canadian tax rules and whose Group RSP contributions exceed the annual limits prescribed by the <i>Income Tax Act</i> (Canada).
Description	Contributions are made on behalf of the employee to the employee’s individual account under a Group RSP.	Notional credits are made to the executive’s ESPP account on a pre-tax basis.
Contributions	A percentage of base salary is invested, as directed by the employee, into investment funds which they select from an approved list established by the Management Retirement Committee.	Executive directs the investment of notional credits to the same investment choices as offered under the Group RRSP.
Withdrawal	Funds can be withdrawn at any time.	Upon cessation of employment the value of the account is paid out and all such payments are fully taxed at employment rates.

#### **Perquisite Allowance**

Executives are eligible to receive a fully taxable perquisite allowance that allows the individual executives to select perquisites that best suit their requirements. The allowance is determined by executive level and market practice.

#### **Expatriate Premiums and Allowances**

Various expatriate premiums and allowances are provided to employees on international assignments to recognize the personal adjustment required for the employee and the employee’s family inherent with a foreign assignment. These

premiums and allowances are designed to recognize the mobility, security, challenging working conditions and remoteness experienced by the employee. Expatriate premiums and allowances vary depending on the foreign assignment location.

### **Executive Compensation Benchmarking**

Executive compensation benchmarking provides information on prevalent market practices including: levels of pay, the mix of pay components, the design of performance-based components, etc. Executive compensation benchmarking is an input into the executive compensation decisions made by the Human Resources Committee and Board of Directors.

For purposes of benchmarking executive compensation, two main sources are considered: (i) proxy data from the comparator group noted on page 32 of this Circular; and (ii) Hay Mining Compensation Review, Global Executive Report (“Hay Survey”). Supplementing the proxy data with the results from the Hay Survey enables a broader view of the market and a more position specific analysis for executive roles. The Hay Survey provides pay data by function, by size of role and geographical location. The Hay Survey includes data covering 75 global mining organizations.

The Human Resources Committee’s and Board’s independent advisor provides further market insights.

### **2016 Executive Compensation**

Each year, the Human Resources Committee, in consultation with its independent advisor, reviews and makes recommendations to the Board on executive compensation for each of the senior executive officers, including the Named Executive Officers identified in this Circular.

The Named Executive Officers (“NEOs”) for 2016 are:

Corporate NEOs:

- David Pathe, President and Chief Executive Officer (“President & CEO”)
- Dean Chambers, Executive Vice President and Chief Financial Officer (“EVP & CFO”)
- Steve Wood, Executive Vice President and Chief Operating Officer (“EVP & COO”)

Divisional NEOs:

- Tim Dobson, Senior Vice President, Ambatovy (“SVP, Ambatovy”)
- Elvin Saruk, Senior Vice President, Oil & Gas and Power (“SVP, Oil & Gas and Power”)

Details relating to each NEO’s 2016 compensation are provided starting on page 50, below, and the Summary Compensation Table for NEOs can be found on page 58 below.

### **2016 Base Salaries**

Base salaries are reviewed in the first quarter of the fiscal year. In February 2016 the Human Resources Committee and Board considered the base salaries of each of the NEOs and determined that no changes to the annual base salaries were required.

### **2016 Short-term Incentive Awards**

#### ***Performance***

#### ***— The 2016 Measures***

Organizational performance is measured and monitored throughout the fiscal year with reference to the performance scorecard which includes financial, operational and sustainability measures to provide a balanced view of performance and to reinforce that financial and production goals must be achieved safely, reliably and in a sustainable manner. The measures are both quantitative and qualitative and are assessed at the Corporation-wide and / or divisional level, as

appropriate for the specific measure. The table below details of the specific performance measures for each of the categories of the performance scorecard for 2016 STI awards and illustrates alignment with the 2016 Strategic Priority.

Corporation-wide	Divisional	2016 Strategic Priority
<b>Financial</b>		
Adjusted EBITDA	Free Cash Flow	Protect Sherritt's balance sheet and preserve cash
Available Liquidity		
<b>Operational</b>		
Aggregated Production Volume	Divisional Production Volume	Meet production targets
Aggregated Unit Cost of Production	Divisional Production Volume	Reduce unit cost of production
<b>Sustainability and Rewarding</b>		
<b>Work Place</b>		
Safety (Lost Time Incidents)	Divisional Safety (Lost Time Incidents)	Maintain peer leading performance on environmental, health, safety and sustainability
Environmental (Severe Incidents)	Divisional Environment (Severe Incidents)	

### **Performance Measures**

#### **— 2016 Performance Targets and Assessment**

A disciplined ongoing assessment of organizational performance provides the context for ensuring the appropriate correlation between annual performance and STI awards. The assessment of performance starts with quarterly reviews by the Human Resources Committee and the Board consisting of the quantitative performance results which compare the quarterly results to target, any variance and management's qualitative commentary. This process provides the opportunity for feedback and to make course corrections, as required, to ensure that performance expectations remain aligned with organizational goals.

At the February meeting of the Human Resources Committee and the Board, the full year quantitative performance results are reviewed which are then considered in the broader context of the business overall, the quality of the decisions taken, risk mitigation and other factors beyond the control of the Corporation and the Corporation's response to the same.

Actual performance is measured as a percentage of target performance, from which a pay factor is calculated. The measures are classified as those over which management has some degree of control, and others over which management has less control.

- For those measures over which management has some degree of control, the Performance Score threshold is established at 80% of target and the maximum is 120% of target with a 1:2.5 ratio of performance to pay. This means for each incremental unit of performance, pay is impacted by a factor of 2.5.
- For those measures over which management has less control, the Performance Score threshold is 50% of the target and the maximum is 150% of target, with a 1:1 ratio of performance to pay. This means for each incremental unit of performance, pay is impacted by a factor of 1.

This methodology converts actual performance against target performance into a Pay Factor that is subject to the qualitative overlay. For each individual NEO the Pay Factor is weighted according to the individual's role and level of work.

Category	Measure	Rationale	
Financial	Adjusted EBITDA (Corporation-wide)	<p>Represents a proxy for cash generated by the Corporation's operating activities (on an accrual basis), a standard industry metric. For more details see the "Non-IFRS Measures" section in the 2016 Management Discussion and Analysis.</p> <p>The "adjustment" is made to represent Sherritt's proportionate share in the Ambatovy and Moa Joint Ventures.</p>	<p>Target: . . . . . \$116.1 million            Actual: . . . . . \$40.0 million            Performance Score: . . . 0%            Pay Factor: . . . . . 0%</p> <p>2016 saw nickel's average reference price of US\$4.36/ lb down 19% from the 2015 US\$5.37/lb, which was down 30% from 2014. Nickel price ended 2016 at US\$4.54/lb.</p> <p>Gulf Coast Oil No. 6 prices were also down 21% on average in 2016, with fourth quarter average prices up 38% over the comparable level of fourth quarter 2015.</p> <p>Due substantially to the worse than expected market conditions, the threshold level of Adjusted EBITDA (50% of target) performance was not achieved, so the pay factor is zero.</p>
	Available Liquidity (Corporation-wide)		<p>Target: . . . . . \$463.2 million            Actual: . . . . . \$309.8 million            Performance Score: . . . 67%            Pay Factor: . . . . . 67%</p> <p>The main uses of cash were \$65.7 million to repay loans and borrowings, and \$59.8 million in interest payments on the outstanding debentures. The three outstanding tranches of public debentures were restructured so that there are no maturities until 2021.</p> <p>The disciplined approach to using cash where it has the most impact, including selective capital spending e.g., Acid plant at Moa and Block-10 drilling, and the restructuring of public debentures results in a pay factor of 67%, being above the threshold of 50% of target.</p>

Category	Measure	Rationale	
Operational	Free Cash Flow (Divisional)	Reflects cash flow generated by each business division after capital spend. This measure represents actual cash received or paid so is impacted by the timing of payments and receipts. For more details see the "Non-IFRS Measures" section in the 2016 Management Discussion and Analysis.	<p><b>Ambatovy:</b>  Target: . . . . . \$(74.3) million  Actual: . . . . . \$(55.9) million  Performance Score: . . . 125%  Pay Factor: . . . . . 125%</p> <p><b>Commentary:</b>  Ambatovy, through a focus on process improvement was able to reduce the negative Free Cash Flow by \$18.4 million resulting in a pay factor of 125% (maximum 150%) as performance was better than target.</p>
			<p><b>Moa / Fort Site:</b>  Target: . . . . . \$(11.0) million  Actual: . . . . . \$(33.9) million  Performance Score: . . . 0%  Pay Factor: . . . . . 0%</p> <p><b>Commentary:</b>  The Moa Acid Plant was completed on-time and on budget, without any draws on credit facilities. Moa / Fort Site was impacted by lower than anticipated fertilizer sales in the fourth quarter, due to the early onset of winter. These outcomes result in a pay factor of zero, as the threshold of 50% of target was not achieved.</p>
			<p><b>Oil &amp; Gas:</b>  Target: . . . . . \$56.9 million  Actual: . . . . . \$50.4 million  Performance Score: . . . 89%  Pay Factor . . . . . 89%</p> <p><b>Commentary:</b>  Lower than targeted oil prices were partially off-set with lower than target production costs. These outcomes result in a pay factor of 89%, above threshold and less than target.</p>
			<p><b>Power:</b>  Target: . . . . . \$37.7 million  Actual: . . . . . \$7.0 million  Performance Score: . . . 19%  Pay Factor: . . . . . 0%</p> <p><b>Commentary:</b>  Receivable payments behind schedule were partially off-set by lower than target costs and better than target production. The gas pipeline was completed on time and on budget. Pay factor results of zero, due to actuals being below threshold of 50% of target.</p>

Category	Measure	Rationale	
Operational	Unit Production Cost (Divisional)	<p>Represents the Corporation's performance in managing operating costs relative to production levels.</p> <p>For Ambatovy and Moa / Fort Site Adjusted NDCC is the measure used. The adjustment utilizes target input commodity prices, so that it measures productivity, not our ability to predict input commodity prices. All adjusted NDCC amounts are reported in US\$ per pound.</p> <p>For Oil &amp; Gas and Power the unit production cost measures are cost per barrel and cost per megawatt, respectively.</p>	<p><b>Ambatovy:</b></p> <p>Target: . . . . . US\$4.28</p> <p>Actual: . . . . . US\$4.51</p> <p>Performance Score: . . . 95%</p> <p>Pay Factor: . . . . . 87%</p> <p><b>Commentary:</b></p> <p>Production issues in the first half of the year impacted full-year Adjusted NDCC. By year-end adjusted NDCC was on track and achieved US\$3.46 for the fourth quarter. This results in a pay factor of 87%, as Adjusted NDCC is a more controllable measure and has a 1:2.5 performance to pay ratio.</p>
			<p><b>Moa / Fort Site:</b></p> <p>Target: . . . . . US\$3.91</p> <p>Actual: . . . . . US\$3.50</p> <p>Performances Score: 110%</p> <p>Pay Factor: . . . . . 125%</p> <p><b>Commentary:</b></p> <p>Strong adjusted NDCC performance which was achieved by offsetting lower Moa production with third party feed. This results in a pay factor of 125%, as Adjusted NDCC is a more controllable measure and has a 1:2.5 performance to pay ratio.</p>
			<p><b>Oil &amp; Gas:</b></p> <p>Target: . . . . . \$12.74</p> <p>Actual: . . . . . \$10.58</p> <p>Performance Score: . . . 117%</p> <p>Pay Factor: . . . . . 143%</p> <p><b>Commentary:</b></p> <p>Cost reduction measures, selective deferral of work-overs, combined with lower input costs resulted in lower than target unit production costs. This results in a pay factor of 143% as unit production costs are a more controllable measure and has a 1:2.5 performance to pay ratio.</p>
			<p><b>Power:</b></p> <p>Target: . . . . . \$22.41</p> <p>Actual: . . . . . \$22.90</p> <p>Performance Score: . . . 98%</p> <p>Pay Factor: . . . . . 95%</p> <p><b>Commentary:</b></p> <p>Unit production costs were slightly behind target. This results in a pay factor of 95% as unit production costs are a more controllable measure and has a 1:2.5 performance to pay ratio.</p>

Category	Measure	Rationale	
Operational	Production Volumes	Reflects the Corporation's production volume performance.	<p><b>Ambatovy:</b></p> <p>Target: . . . . . 20,405</p> <p>Actual: . . . . . 16,842</p> <p>Performance Score: . . . 82%</p> <p>Pay Factor: . . . . . 55%</p> <p>Production was down through the first part of the year due to reliability issues and tailings pipe blockage. Planned maintenance was rescheduled to optimize downtime; however the slow ramp-up from the downtime resulted in lower than expected production. This results in a pay factor of 55% (1:2.5 performance to pay ratio).</p>
			<p><b>Moa / Fort Site:</b></p> <p>Target: . . . . . 17,194</p> <p>Actual: . . . . . 16,464</p> <p>Performance Score: . . . 96%</p> <p>Pay Factor: . . . . . 90%</p> <p>Production volumes were lower than expected at Moa due to fuel supply, equipment reliability issues and Hurricane Mathew. Third party feed off-set some of the short-fall. This results in pay factor of 90% (1:2.5 performance to pay ratio).</p>
			<p><b>Oil &amp; Gas:</b></p> <p>Target: . . . . . 15,382</p> <p>Actual: . . . . . 15,452</p> <p>Performance Score: . . . 100%</p> <p>Pay Factor: . . . . . 100%</p> <p>Production target achieved that result in a Pay Factor of 100%.</p>
			<p><b>Power:</b></p> <p>Target: . . . . . 862</p> <p>Actual: . . . . . 894</p> <p>Performance Score: . . . 104%</p> <p>Pay Factor: . . . . . 110%</p> <p>Production exceeded target, and was 8% better than the prior year, resulting in a pay factor of 110% (1:2.5 performance to pay ratio).</p>

Category	Measure	Rationale	
Sustainability and Rewarding Workplace	Environment	Represents the commitment to minimizing the operations' impact to the environment.	The target of achieving zero high-severity environmental incidents across the Corporation was met. Performance Score: . . . . . 100% Pay Factor: . . . . . 100%
	Safety	Represents the commitment to zero injuries, and work-related illnesses among employees and contractors.	The targets of: (1) total recordable injury frequency rate (TRIFR) of less than 0.36 injuries per 200,000 work hours; and (2) a lost-time injury frequency rate (LFTR) of less than 0.13 injuries per 200,00 work hours were both achieved. Performance Score: . . . . . 100% Pay Factor: . . . . . 100%

At Moa four employees tragically lost their lives while repairing a municipal bridge that was damaged during Hurricane Mathew. The impact of fatalities resulted in a qualitative reduction of STI pool funding for all employees. The negative impact on each of the NEOs is discussed below in their individual sections. Information regarding individual NEOs can be found starting on page 51.

**Performance Measures**  
**— 2016 Short-term Incentive Pay Factors**

At the February, 2016 meetings the Human Resources Committee and Board determined the 2016 short-term incentive pay factors for the organizational components of the senior executives 2016 STI awards. They reviewed the Corporation's performance quantitative outcomes as described above. The Human Resources Committee and Board considered management's commentary with respect to the quantitative outcomes, applied their sound business judgment and made their qualitative assessment. Two organizational scores were adjusted as a result of the Human Resources and Board's qualitative assessment. The Corporation-wide score was reduced and reflects the underperformance of the Corporation-wide financial results and the fatalities at Moa. The Moa and Fort Site score was increased to reflect that underperformance was related to a timing issue with fertilizer sales impacted by the early onset of winter in western Canada and to recognize the acid plant being built on time and on budget.

	Quantitative Score	Qualitative Score
Corporation-wide (Financial and Sustainability & Rewarding Workplace)	53%	28%
Corporation-wide (Operational)	85%	85%
Divisional (Operational)		
Ambatovy	101%	101%
Moa and Fort Site	63%	75%
Oil & Gas and Power	95%	95%

**2016 Individual Performance**

A comprehensive review of each senior executive's individual performance, including the NEOs, is completed by the Human Resources Committee based on goals that were established at the beginning of the year. The annual setting of goals and assessing performance against those goals demonstrates the disciplined approach the Human Resources Committee and the Board undertake in measuring performance. Details are below in each NEO's individual section that follows starting on page 51.

**2016 Mid- and Long-term Incentive Awards  
— Annual Awards**

**Mid-term incentives** are forward looking, in the form of share units which are typically awarded in the first quarter of the fiscal year. Award levels are set based on the size, complexity and time horizon of the executive role.

In February 2016, the Human Resources Committee and Board considered and approved the annual 2016 mid-term incentive awards for each of the NEOs. Further information regarding the annual 2016 mid-term incentive awards can be found in each NEO’s individual sections starting on page 50. There were no changes to the terms and conditions of the awards with twenty percent of the mid-term incentive award being subject to relative total shareholder return (“RTSR”) performance. For each 2% of Sherritt’s RTSR, 1% of the award is impacted, within the established threshold and maximum as discussed below.

Sherritt’s RTSR is measured against a combined weighted index, which reflects the relative weighting of each of the metals and energy businesses:

- S&P/TSX Metals and Mining Industry Index (Bloomberg: STMETL) with a 67% weighting; and
- S&P/TSX Oil & Gas, Exploration & Production Industry Index (Bloomberg: STOILP) with a 33% weighting.

**Threshold:** If Sherritt underperforms the combined weighted index by 40 percentage points or more, the performance factor is 0% and 0% of the 20% vests; resulting in 80% of the mid-term incentive vesting and paying out.

**Maximum:** If Sherritt outperforms the combined weighted index by 40 percentage points or more, the Performance factor is 200% and 200% of the 20% vests; resulting in 120% of the mid-term incentive vesting and paying out.

Subject to the performance conditions outlined above, the share units vest and become payable on the third anniversary of the grant. If a participant in the plan resigns or is terminated for cause, the units are forfeited.

**Long-term incentives** are forward looking, in the form of stock options and are typically granted in the first quarter of the fiscal year. Award levels are set, based on the size, complexity and time horizon of the executive role. In February 2016 the Human Resources Committee and Board considered and approved the annual 2016 long-term incentive awards for each of the NEOs. Further information regarding the annual 2016 long-term incentive awards can be found in each NEO’s individual section starting on page 50. There were no changes to the terms and conditions of the awards, including their 10-year term and vesting of one-third of the award on each of the first three annual anniversaries of the grant.

**2016 Compensation Mix**

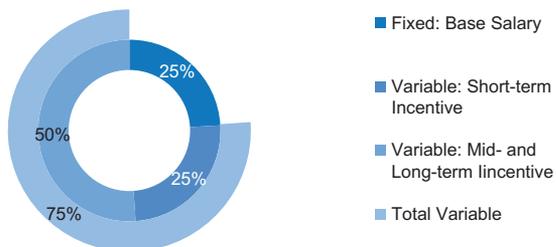
The Human Resources Committee considers the mix of compensation including fixed and variable and short-, mid- and long-term compensation and determines compensation mix based on:

- Nature and time horizon of the executive’s key responsibilities; and
- Market practice.

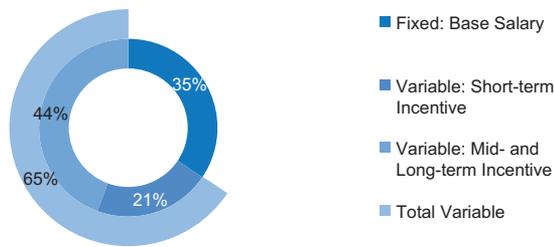
As senior executive officers have greater influence on organizational performance over the long-term, their compensation mix is more heavily weighted towards variable compensation and mid- and long-term elements of compensation. The following chart outlines the expected mix of base salary, short-, mid- and long-term incentives at target performance for the President & CEO and the average of the other NEOs.

The 2016 mix of fixed and variable compensation at target performance is illustrated below for the President & CEO and the average mix for the other NEOs is presented. NEO actual 2016 pay mix follows in their respective individual sections.

**President and CEO: Pay Mix**



**Other NEO: Pay Mix**



## President & CEO

Mr. Pathe's individual performance is assessed against predetermined organizational goals which were agreed to by Mr. Pathe and the Board at the beginning of the year. Based on this annual assessment and in consultation with the Human Resources Committee's independent advisor, the Human Resources Committee recommends to the Board the President & CEO's base salary, and short-term, mid-term and long-term incentives.



### David Pathe President & CEO

Mr. Pathe is accountable for developing and implementing Corporation-wide strategy, making major corporate decisions and managing the growth, operations and overall performance of the Corporation.

The Human Resources Committee reviewed Mr. Pathe's 2016 compensation and the Board approved the Committee's recommendations. There were no changes to Mr. Pathe's compensation: base salary, 2016 STI target remains at 100% of his base salary and his equity-based compensation remained at \$1,750,000 allocated 50% to each of mid-term and long-term awards.

- The STI award for 2016 performance was based on Mr. Pathe's target of 100% of his annualized base salary as at December 31, 2016. His award of \$536,250 represents 65% of his target award of \$825,000, reflecting the overall performance of the Corporation including the impact of the fatalities at Moa.

Compensation	2012	2013	2014	2015	2016
<b>Fixed</b>					
Base Salary	\$ 700,000	\$ 750,000	\$ 750,000	\$ 825,000	\$ 825,000
<b>Variable</b>					
Short-term incentive	\$ 650,000	\$ 0	\$ 562,500	\$ 412,500	\$ 536,250
<b>Share-based compensation</b>					
Mid-term Incentive (RSUs)	\$ 590,000	\$ 600,018	\$ 800,010	\$ 875,006	\$ 875,000
Long-term Incentive (Stock Options)	\$ 509,903	\$ 599,975	\$ 800,007	\$ 875,000	\$ 875,007
<b>Total direct compensation</b>	<b>\$2,449,903</b>	<b>\$1,949,993</b>	<b>\$2,912,517</b>	<b>\$2,987,506</b>	<b>\$3,111,257</b>
<b>Change from prior year</b>		<b>-20%</b>	<b>49%</b>	<b>3%</b>	<b>4%</b>

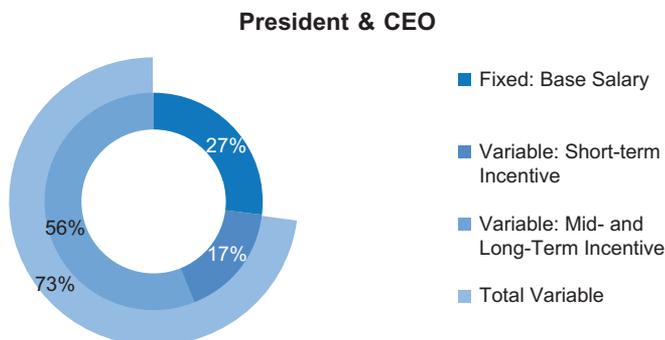
### 2016 Key Results

- Achieved three-year deferral on maturity dates of all public debentures
- Moa Acid Plant completed on time and on budget
- NDCC reduced from prior year at Ambatovy and Moa / Fort Site. Ambatovy achieved \$3.10 (not adjusted) in Q4, ranking amongst the lowest cost producers
- Driving safety culture — significant safety turnaround at Ambatovy in 2016; met with Cuban Minister immediately following the fatalities at Moa
- Continued to enhance stakeholder communications, including Shareholder Outreach in Q4 and Corporation-wide employee communications
- Continued to build leadership capabilities throughout the organization by an increased focus on performance management and visible leadership

Mr. Pathe was appointed President & CEO on January 1, 2012. The table above summarizes his compensation throughout his tenure as President & CEO. The 2015 - 2016 year-over-year increase in his total direct compensation is the result of his short-term incentive award at 65% of target, compared to 50% of target that was awarded to him in 2015, which reflects the Corporation's performance in these continuing challenging times for a base metal producer.

### 2016 Pay Mix

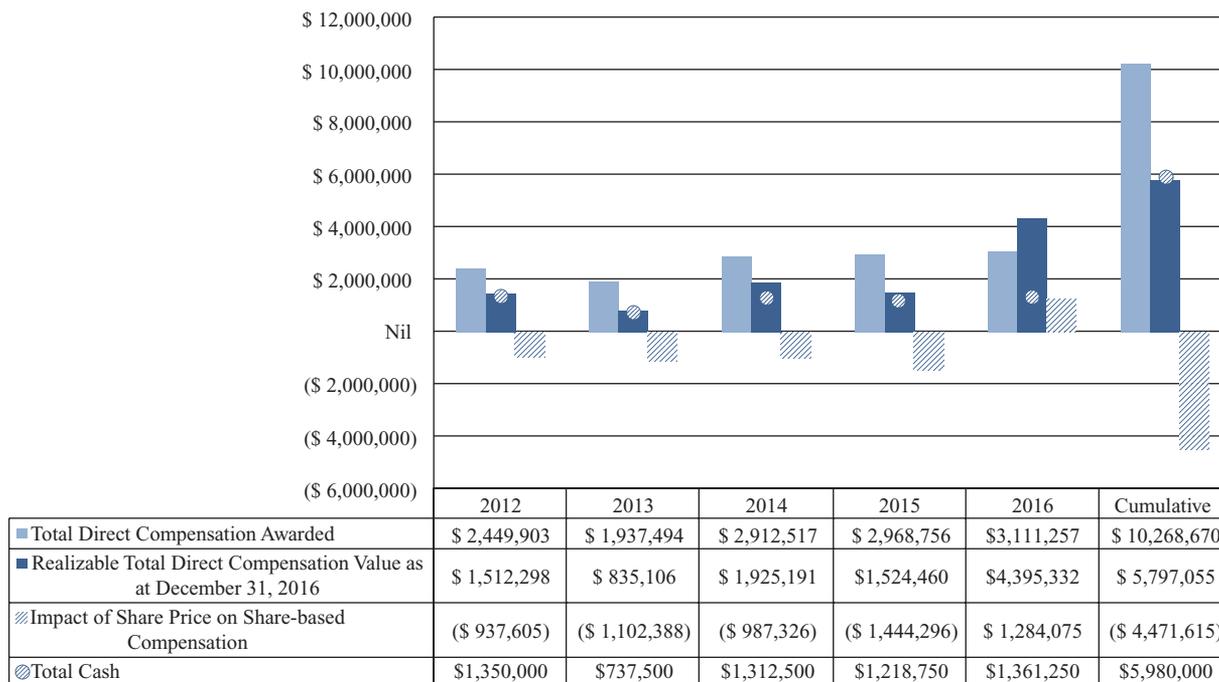
The following charts illustrate the actual mix of Mr. Pathe's 2016 compensation. Mr. Pathe has a considerable portion of his compensation tied to performance of the Corporation measured by internal financial, operational and sustainability & rewarding workplace measures and /or external measures of absolute and relative shareholder return.



### Current Value of Total Direct Compensation Awards

The table below illustrates the mix of compensation, with the heavy proportion on equity-based compensation aligns the President & CEO's pay to the Corporation's share value on a year-by-year basis and on a cumulative basis for his tenure as President and CEO.

**President & CEO Total Direct Compensation  
Realizable Value, Impact of Share Price and Total Cash**



**Notes:**

- (1) Total Direct Compensation includes: base salary, and short-term, medium-term and long-term incentive awards valued at the grant date as set out in the — *Summary Compensation Table* described on page 58.
- (2) Realizable Total Direct Compensation includes: base salary, and short-term, medium-term and long-term incentive awards with option-based and share-based compensation valued as at December 31, 2016, consistent with the — *Realizable Value of Total Compensation* — methodology described on page 56.
- (3) For the years 2012 and 2013, Realizable Total Direct Compensation includes the value of any mid-term awards that were awarded in those years and subsequently vested and paid out and any long-term awards that were awarded in those years and subsequently vested and were exercised. The realizable value of such awards is the actual value received.
- (4) Total cash includes base salary plus short-term incentive awards, as shown in the summary compensation table on page 58.

Performance for the other NEOs is assessed by the President & CEO against predetermined goals. Based on his performance assessment of each of the other NEOs, Mr. Pathe recommends to the Human Resources Committee and the Board for their approval the base salary, and short-term, mid-term and long-term incentives for each of Messrs. Chambers, Wood, Dobson and Saruk.



**Dean Chambers**  
**EVP & CFO**

Mr. Chambers is accountable for the strategic coordination of all financial issues and current and long-term effectiveness of all financial functions including financial strategy and structure, accounting standards / compliance, financial risk management and treasury. He is also accountable for the Corporate Development and Investor Relations functions. Mr. Chambers contributes to the overall success of the Corporation through active participation in strategic planning and other key corporate processes.

**2016 Key Results**

- Achieved three-year deferral on maturity dates of all public debentures
- Successfully negotiated deferral on Ambatovy principle payments
- Progressed Ambatovy discussions on the “40 for 12” issue
- Strengthened the effectiveness of the Finance team by coaching and providing development opportunities
- Significant contributor to the senior executive team

The Human Resources Committee reviewed the President & CEO’s 2016 compensation recommendations for Mr. Chambers and the Board approved the same. Mr. Chambers had declared his intent to retire and the only change to Mr. Chambers’ 2016 compensation was to replace the value of his 2016 long-term award (stock options) with mid-term (restricted share units). There were no other changes to Mr. Chambers’ compensation: base salary, 2016 STI target remains at 70% of his base salary and his total equity-based compensation remained at \$600,000.

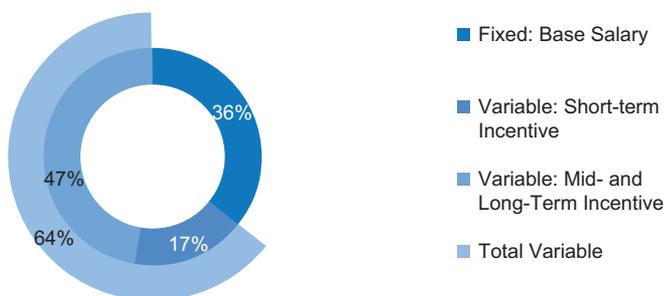
- The STI award for 2016 performance was based on Mr. Chambers’ target of 70% of his annualized base salary as at December 31, 2016. His award of \$219,100 represents 70% of his target award of \$315,000, reflecting the overall performance of the Corporation including the impact of the fatalities at Moa and his personal performance.

Compensation	2014	2015	2016
<b>Fixed</b>			
Base Salary	\$ 450,000	\$ 450,000	\$ 450,000
<b>Variable</b>			
Short-term incentive	\$ 245,700	\$ 157,500	\$ 219,100
<b>Share-based compensation</b>			
Mid-term Incentive (RSUs)	\$ 340,005	\$ 340,005	\$ 600,001
Long-term Incentive (Stock Options)	\$ 259,952	\$ 260,000	n/a
<b>Total direct compensation</b>	<b>\$1,295,657</b>	<b>\$1,207,505</b>	<b>\$1,269,101</b>
<b>Change from prior year</b>		<b>- 7%</b>	<b>5%</b>

**2016 Pay Mix**

The following charts illustrate the actual mix of Mr. Chambers’ 2016 compensation. Mr. Chambers has a considerable portion of his compensation tied to performance of the Corporation measured by internal financial, operational and sustainability & rewarding workplace measures and /or external measures of absolute and relative shareholder return.

**EVP & CFO**





**Steve Wood**  
**EVP & COO**

Mr. Wood is accountable for the Corporation's operating divisions and the Corporation's safety and sustainability functions. Mr. Wood contributes to the overall success of the Corporation through active participation in strategic planning and other key corporate processes.

The Human Resources Committee reviewed the President & CEO's 2016 compensation recommendations for Mr. Wood and the Board approved the same. There were no changes to Mr. Wood's compensation: base salary, 2016 STI target remains at 70% of his base salary, his mid- and long-term incentive awards remained at \$340,000 and \$225,000 respectively.

- The STI award for 2016 performance was based on Mr. Wood's target of 70% of his annualized base salary as at December 31, 2016. His award of \$204,800 represents 65% of his target award of \$315,000, reflecting the overall performance of the Corporation including the impact of the fatalities at Moa, the operating divisions' results and his personal performance.

**2016 Key Results**

- Production results were lower than target at Ambatovy and Moa / Fort Site; Cuban energy businesses delivered on production volume
- Cost reductions have been achieved
- Successful safety turnaround at Ambatovy and safety improvement at Fort Site
- No severe environment incidents across the Corporation
- Successfully implemented the sustainability framework

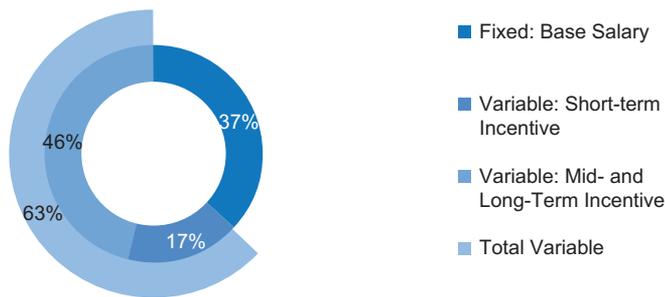
Compensation	2015	2015 (Annualized) <sup>(1)</sup>	2016
<b>Fixed</b>			
Base Salary	\$ 306,923	\$ 450,000	\$ 450,000
<b>Variable</b>			
Short-term incentive	\$ 108,250	\$ 157,500	\$ 204,800
<b>Share-based compensation</b>			
Mid-term Incentive (RSUs)	\$ 255,000	\$ 340,000	\$ 340,000
Long-term Incentive (Stock Options)	\$ 170,000	\$ 225,000	\$ 225,019
<b>Total direct compensation</b>	<b>\$ 840,173</b>	<b>\$1,172,500</b>	<b>\$1,219,819</b>
<b>Change from prior year</b>			<b>4%</b>

(1) Mr. Wood joined Sherritt in 2015. His 2015 compensation has been annualized in the table above so that the year-over-year comparison is meaningful.

**2016 Pay Mix**

The following charts illustrate the actual mix of Mr. Wood's 2016 compensation. Mr. Wood has a considerable portion of his compensation tied to performance of the Corporation measured by internal financial, operational and sustainability & rewarding workplace measures and /or external measures of absolute and relative shareholder return.

**EVP & COO**





**Tim Dobson**  
**SVP, Ambatovy**

Mr. Dobson is accountable for safe, cost effective running of Ambatovy. Mr. Wood contributes to the overall success of the Corporation through active participation in strategic planning and other key corporate processes.

The Human Resources Committee reviewed the President & CEO’s 2016 compensation recommendations for Mr. Dobson and the Board approved the same. There were no changes to Mr. Dobson’s compensation: base salary, 2016 STI target remains at 65% of his base salary, his mid-term incentive award remains at \$485,000. Mr. Dobson’s equity-based compensation is in the form of share units, which aligns with global competitive practices for Australian international executives.

**2016 Key Results**

- Led cultural change to improve safety at Ambatovy, achieved 12 months without a lost time incident
- Production targets were missed due to unreliability, mitigating steps were taken e.g., rescheduled planned maintenance
- NDCC was impacted by production volumes, in Q4 had achieved US\$3.10 / lb
- Continued to build a strong team and remained focus on the long-term sustainable improvements
- Implemented formalized employee communication processes, resulting in consistent communications supporting the cultural changes

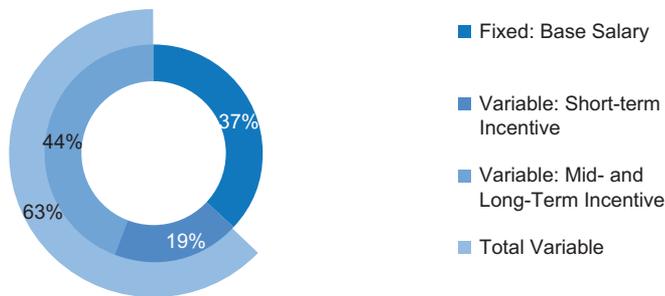
- The STI award for 2016 performance was based on Mr. Dobson’s target of 65% of his annualized base salary as at December 31, 2016. His award of \$206,600 represents 79% of his target award of \$260,000, reflecting the overall performance of the Corporation including the impact of the fatalities at Moa, Ambatovy’s results and his personal performance.

Compensation	2014	2015	2016
<b>Fixed</b>			
Base Salary	\$ 196,000	\$ 400,000	\$ 400,000
<b>Variable</b>			
Short-term incentive	\$ 110,810	\$ 130,000	\$ 206,600
<b>Share-based compensation</b>			
Mid-term Incentive (RSUs)	n/a	\$ 485,005	\$ 485,003
Long-term Incentive (Stock Options)	n/a	n/a	n/a
<b>Total direct compensation</b>	<b>\$ 306,810</b>	<b>\$1,015,005</b>	<b>\$1,091,603</b>
<b>Change from prior year</b>		<b>n/a</b>	<b>8%</b>

**2016 Pay Mix**

The following charts illustrate the actual mix of Mr. Dobson’s 2016 compensation. Mr. Dobson has a considerable portion of his compensation tied to performance of the Corporation measured by internal financial, operational and sustainability & rewarding workplace measures and /or external measures of absolute and relative shareholder return.

**SVP, Ambatovy**





**Elvin Saruk**  
**SVP, OGP**

Mr. Saruk is accountable for safe, cost effective running of the Cuban-based energy businesses. He runs our Oil & Gas business and a Power generation facility in Cuba. Mr. Saruk contributes to the overall success of the Corporation through active participation in strategic planning and other key corporate processes.

The Human Resources Committee reviewed the President & CEO's 2016 compensation recommendations for Mr. Saruk and the Board approved the same. There were no changes to Mr. Saruk's compensation: base salary, 2016 STI target remains at 60% of his base salary, his mid- and long-term incentive awards remain at \$350,000 and \$135,000, respectively.

**2016 Key Results**

- Successfully extended the term of the Varadero power Generation Facility to 2023
- Unit cost of production for Power better than target
- Oil & Gas unit cost of production, slightly worse than target
- Production levels for both energy businesses met or exceeded targets
- Led cultural change to improve safety at Oil & Gas and Power Divisions, with improvements seen as the year progressed
- Engaged leadership team and employees in multiple communication sessions demonstrating strong visible leadership

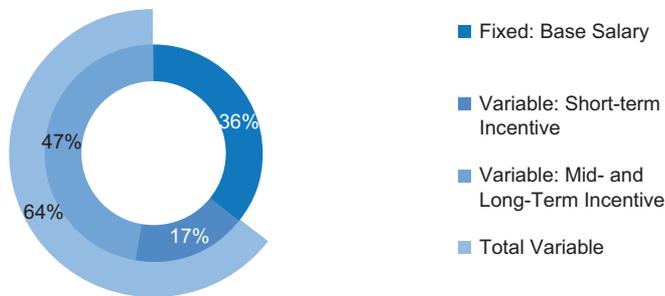
- The STI award for 2016 performance was based on Mr. Saruk's target of 60% of his annualized base salary as at December 31, 2016. His award of \$178,400 represents 78% of his target award of \$228,000, reflecting the overall performance of the Corporation including the impact of the fatalities at Moa, Oil & Gas and Power's results and his personal performance.

Compensation	2014	2015	2016
<b>Fixed</b>			
Base Salary	\$ 380,000	\$ 380,000	\$ 380,000
<b>Variable</b>			
Short-term incentive	\$ 193,800	\$ 114,000	\$ 178,400
<b>Share-based compensation</b>			
Mid-term Incentive (RSUs)	\$ 350,010	\$ 350,007	\$ 350,003
Long-term Incentive (Stock Options)	\$ 135,014	\$ 135,000	\$ 135,020
<b>Total direct compensation</b>	<b>\$1,058,824</b>	<b>\$ 979,007</b>	<b>\$1,043,423</b>
<b>Change from prior year</b>		<b>-8%</b>	<b>7%</b>

**2016 Pay Mix**

The following charts illustrate the actual mix of Mr. Saruk's 2016 compensation. Mr. Saruk has a considerable portion of his compensation tied to performance of the Corporation measured by internal financial, operational and sustainability & rewarding workplace measures and /or external measures of absolute and relative shareholder return.

**SVP, Oil & Gas and Power**



## REALIZABLE VALUE OF TOTAL COMPENSATION

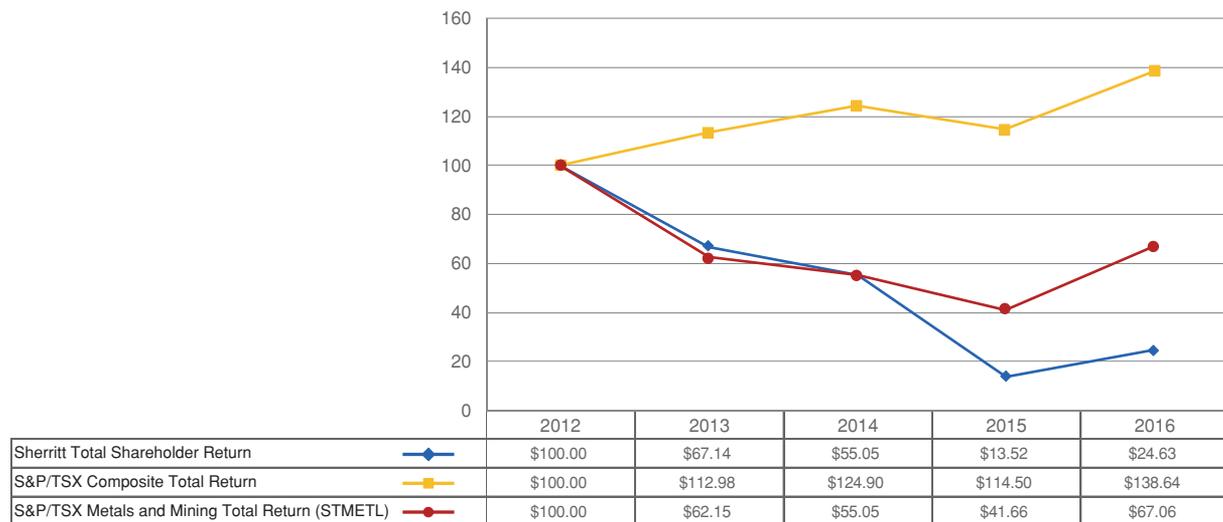
The following table provides the realizable value of total compensation in the specified year with the option-based and share-based awards valued as at December 31, 2016 compared to the total compensation values provided in the Summary Compensation Table that follows this section. This Realizable Compensation Table has been included to illustrate how change in Share price impacts the value of NEO total compensation, aligning compensation directly with Share value. The realizable value of Total Compensation as set out in the table below includes the following:

- Total compensation less the compensation value for share-based and option-based awards, as provided in the Summary Compensation Table which follows;
- The value of unvested RSUs granted in a specified year, calculated by (i) multiplying the number of RSUs outstanding as at December 31, 2016 (equal to the number of units granted plus dividend equivalents reinvested, if any) by the closing share price on the TSX on December 31, 2016, which was \$1.33; and (ii) a performance factor of 100%, which reflect the vesting portion of the award if threshold performance is met. For more details on the 2016 RSU awards, please see section *2016 Mid- and Long-term Incentive Awards — Annual Awards — Mid-term Incentives* on page 49.
- The value of unvested and vested, but unexercised, Stock Options granted in a specified year, calculated by multiplying (i) the difference between the Option exercise price and the closing price of Shares on the TSX on December 31, 2016, which was \$1.33, by (ii) the number of outstanding Stock Options (both vested and unvested). Where the difference is negative, the Stock Options are not in the money and no value is reported; and
- To the extent any Stock Options granted in a specified year have vested and are subsequently exercised, any gains on such exercise are calculated by multiplying (i) the difference between the Stock Options' exercise price and the volume-weighted average trading price of a Share on the TSX for the five (5) trading days preceding the exercise date, by (ii) the number of outstanding Stock Options exercised. The NEOs have not exercised any vested Stock Options that were granted in 2014, 2015 and 2016.

Name	Year	Summary Compensation Table Total Compensation	Realizable Value of Total Compensation	Variance
David Pathe President & CEO	2016	\$3,404,556	\$4,688,621	\$1,284,065
	2015	\$3,260,155	\$2,067,127	-\$1,444,296
	2014	\$3,162,989	\$1,925,191	-\$1,237,798
Dean Chambers EVP & CFO	2016	\$1,457,166	\$2,030,697	\$ 573,531
	2015	\$1,395,569	\$1,011,991	-\$ 481,214
	2014	\$1,484,524	\$1,038,511	-\$ 446,013
Steve Wood EVP & COO	2016	\$1,317,883	\$1,758,009	\$ 440,126
	2015	\$ 937,706	\$ 627,119	-\$ 310,587
Tim Dobson SVP, Ambatovy	2016	\$1,499,145	\$1,962,751	\$ 463,606
	2015	\$1,374,023	\$1,197,743	-\$ 315,554
	2014	\$ 441,844	N/A	N/A
Elvin Saruk SVP, Oil & Gas and Power	2016	\$1,211,860	\$1,615,502	\$ 403,642
	2015	\$1,147,633	\$ 885,420	-\$ 362,722
	2014	\$1,227,291	\$ 900,740	-\$ 326,551

## PERFORMANCE GRAPH (Total Shareholder Return)

The following graph illustrates the cumulative total shareholder return of \$100 invested on December 31, 2011 in shares of the Corporation compared with the return on the S&P/TSX Composite Total Return Index. It also includes the total return on the S&P/TSX Metals & Mining Index (Bloomberg: STMETL), which currently consists of the 43 companies in the metals and mining industry that are included in the S&P/TSX Composite Index, and is reflective of the Corporation's principal business.



During the 2012 – 2015 time period metal prices declined and that is reflected in the STMETL index declining over the same period. During 2016 metal prices rose and that is reflected in the STMETL index increasing over the same period. The table below illustrates the price recovery that occurred in 2016.

	% Change in Metal Prices	
	2012 – 2015	2016
Nickel	– 53.6%	17.7%
Cobalt	– 20.8%	37.1%
Copper	– 39.5%	19.8%
Gold	– 32.3%	6.8%

As illustrated in the table below, in a majority of the past 5 years the change in total NEO compensation tracks directionally with the performance of the Share price and overall total shareholder return.

Year	Year-over-Year Percent Change: Aggregate NEO Compensation (%)	Year-over-Year Percent Change: Total Shareholder Return for Sherritt Common Shares (%)	Year-over-Year Percent Change: Total Shareholder Return for S&P/TSX Composite (%)
2016	8.1	82.2	21.1
2015 <sup>(1)</sup>	– 5.4	– 75.4	– 8.3
2014	16.8	– 18.0	10.5
2013 <sup>(2)</sup>	– 15.4	– 32.9	13.0
2012 <sup>(3)</sup>	– 1.1	8.4	7.2

### Notes:

- (1) Total NEO compensation has been adjusted for the reporting of six NEOs in 2015. Mr. Plamondon served as SVP Technical Services until July 13, 2015. As a result, his 2015 total compensation has been excluded from this analysis.
- (2) Total NEO compensation has been adjusted for the reporting of six NEOs in 2013. Mr. Tiessen served as EVP Operations until October 10, 2013. As a result, his 2013 total compensation has been excluded from this analysis.
- (3) Total NEO compensation has been adjusted for the reporting of two Chief Financial Officers in 2012. Mr. Robins served as Chief Financial Officer until December 10, 2012. Mr. Chambers was appointed EVP & CFO at that time. As a result, Mr. Robins' total compensation has been excluded from this analysis.

## SUMMARY COMPENSATION TABLE

The following table sets forth for the period indicated, the compensation of the President & CEO, the EVP and Chief Financial Officer and the other three most highly compensated officers.

The compensation value of share-based awards and option-based awards in the table below are reported using the grant date fair market value, whereas the realizable compensation discussed in the section above, utilizes the share price as at December 31, 2016, assisting in the interpretation of pay and performance alignment.

To better understand the impact of a declining share price on the value of share-based compensation received by the NEOs, refer to the Realizable Compensation Table, above, on page 56.

Name and Title	Year	Salary	Share-Based Awards <sup>(1)</sup>	Option-Based Awards <sup>(2)</sup>	Annual Incentive <sup>(3)</sup>	Pension Value <sup>(4)</sup>	All Other Compensation <sup>(5)</sup>	Total Compensation
David Pathe President and CEO	2016	\$825,000	\$875,000	\$875,007	\$536,250	\$76,130	\$217,169	\$3,404,556
	2015	\$806,250	\$875,006	\$875,000	\$412,500	\$74,320	\$217,079	\$3,260,155
	2014	\$750,000	\$800,010	\$800,007	\$562,500	\$65,730	\$184,742	\$3,162,989
Dean Chambers EVP and CFO	2016	\$450,000	\$600,001	n/a	\$219,100	\$35,480	\$152,585	\$1,457,166
	2015	\$450,000	\$340,005	\$260,000	\$157,500	\$31,570	\$156,494	\$1,395,569
	2014	\$450,000	\$340,005	\$259,952	\$245,700	\$29,730	\$159,137	\$1,484,524
Steve Wood EVP and COO	2016	\$450,000	\$340,000	\$225,019	\$204,800	\$31,130	\$ 66,934	\$1,317,883
	2015 <sup>(6)</sup>	\$306,923	\$255,000	\$170,000	\$108,250	\$36,831	\$ 60,702	\$ 937,706
Tim Dobson SVP, Ambatovy <sup>(7)</sup>	2016	\$400,000	\$485,003	n/a	\$206,600	n/a	\$407,542	\$1,499,145
	2015	\$393,333	\$485,005	n/a	\$130,000	n/a	\$365,685	\$1,374,023
	2014	\$196,000	n/a	n/a	\$110,810	n/a	\$135,034	\$ 441,844
Elvin Saruk SVP, Oil & Gas and Power	2016	\$380,000	\$350,003	\$135,020	\$178,400	\$20,230	\$148,207	\$1,211,860
	2015	\$380,000	\$350,007	\$135,000	\$114,000	\$20,670	\$147,956	\$1,147,633
	2014	\$380,000	\$350,010	\$135,014	\$193,800	\$21,330	\$147,137	\$1,227,291

### Notes:

- (1) The number of share units awarded was calculated by dividing the compensation value (grant date fair value) of each of the awards by the Market Price on the date of grant, which was \$0.68. Does not include one-time share unit awards which have been forfeited or cancelled.
- (2) The number of Stock Options awarded to each NEO in 2016 was calculated by dividing the compensation value of the award by the product of the market price on the date of grant, which was \$0.68, and the Black-Scholes value, which was \$0.43. For the purpose of calculating the Black-Scholes compensation value, the Corporation uses the discrete method for determining the dividend value as grants are awarded at a point in time. As a result, the Black-Scholes value for the February 23, 2016 grant was calculated using the following assumptions: (a) interest rate of 1.12%; (b) Share price volatility of 55.01%; (c) a dividend yield of nil; and (d) an option term of 10 years.  
  
In 2016, the compensation value was the same as the accounting fair value for the Stock Options awarded.  
  
The Black-Scholes value used for calculating the accounting fair value uses a continuous method for determining the dividend value. As a result, the Black-Scholes value used for calculating the accounting fair value was \$1.00 and was calculated using the following assumptions: (a) interest rate of 1.137%; (b) Share price volatility of 51.12%; (c) a dividend yield of 0%; and (d) an option term of 10 years.
- (3) Messrs. Chambers and Dobson did not receive stock options in respect of 2016. Mr. Chambers had declared his intent to retire and Mr. Dobson's equity-based compensation is in the form of share units which aligns with global competitive practices for Australian international executives.
- (4) The Pension Value represents the notional amount of contributions allocated by the Corporation on behalf of each NEO to the ESPP. Additional information on the ESPP can be found under "Retirement Savings" on page 41 and "Pension Benefits" on page 68.

(5) The following table provides details and values for the 2016 All Other Compensation amounts reported above.

(\$)	David Pathe (\$)	Dean Chambers (\$)	Steve Wood (\$)	Tim Dobson (\$)	Elvin Saruk (\$)
Life Insurance	2,375	2,141	2,140	4,778	1,678
Group Retirement Savings	22,870	18,520	22,870	48,000	25,370
Health, Dental & LTD	6,524	6,524	6,524	7,397	6,041
Helms-Burton Allowance <sup>(i)</sup>	150,000	90,000	—	—	76,000
International Allowances <sup>(ii)</sup>	—	—	—	279,848	—
Provincial Health Premium	900	900	900	—	—
Parking	—	—	—	—	7,119
Perquisite Allowances	32,000	32,000	32,000	32,000	32,000
ESOP	2,500	2,500	2,500	—	—
Taxable Benefits <sup>(iii)</sup>	—	—	—	35,519	—
<b>Total</b>	<b>217,169</b>	<b>152,585</b>	<b>66,934</b>	<b>407,542</b>	<b>148,207</b>

**Notes:**

- (i) Prior to January 2017, only certain NEOs had been listed under Title IV of the Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996 of the United States (the “**Helms Burton Act**”) and had been advised by the United States Department of State that they, their spouse and minor children are inadmissible for entry into the United States. In recognition of the hardship, loss of opportunity and emotional distress suffered by such Named Executive Officers and their respective families, they receive a “Helms-Burton Allowance”. Although these allowances are not considered compensation they have been included in the table in the interest of providing full disclosure. Such allowances are not grossed-up for tax purposes.
- As of January 2017, all senior officers who held such positions in 2016 have received notice that they have been advised by the United States Department of State that they, their spouse and minor children are inadmissible for entry into the United States.
- (ii) Mr. Dobson as an expatriate is eligible for certain international allowances.
- (iii) Mr. Dobson as an expatriate is eligible for tax equalization. A payment is made to Mr. Dobson equal to the value of taxes paid by him in excess of what he would have otherwise paid in his home country as a result of his international assignment. Tax equalization payments are taxed and it is necessary to gross-up the value of such payments in order to achieve equalization of the employee’s tax burden.
- (6) Mr. Wood’s 2015 reported compensation reflects a part-year from his date of hire in April to December 31, 2016.
- (7) Mr. Dobson was appointed SVP, Ambatovy effective March 1, 2015. Prior to this appointment Mr. Dobson served as Vice President, Operations at Ambatovy from his July 2014 hire date.

## Executive Share Unit Plan

The following table provides the details of the Executive Share Unit Plan, which authorizes the granting of Restricted Share Units (“RSUs”) and Deferred Share Units (“DSUs”). DSUs have not been granted since 2004 and in 2014 they were removed from the plan document. In 2016 a housekeeping amendment was made to clarify the double trigger required for vesting in the event of a change of control. This amendment did not require shareholder approval.

Feature	Description
<b>Securities</b>	Phantom share units that track the value of Shares.
<b>Eligibility</b>	Select employees, including executives, are eligible to receive an award.
<b>Awards</b>	The number of units to be granted is calculated by dividing the compensation value by the volume-weighted average trading price of a Share on the TSX for the five trading days immediately preceding the grant date. The calculated number of units is rounded up to the nearest five units.
<b>Term</b>	RSUs are granted with a three-year term.
<b>Dividends</b>	The value of dividends paid on Shares is reinvested as additional share units.
<b>Vesting</b>	Awards have a three-year time vesting period and are subject to performance vesting conditions, if applicable.
<b>Redemption</b>	RSUs are redeemed by the Corporation at their vesting date for a cash payment.
<b>Redemption Price</b>	Equal to the volume-weighted average price of Shares on the TSX for the five trading days immediately preceding the redemption date.
<b>Performance Factors</b>	<p>RSUs granted in 2013 – 2016 include a Relative Total Shareholder Return performance condition. The final number of RSUs that vest will range between 80% and 120% of the outstanding number of units on the vesting date. The percentage of the award that vests and pays out is subject to Sherritt’s relative TSR performance measured against the TSR of a combined index consisting of:</p> <ul style="list-style-type: none"> <li>• S&amp;P/TSX Metals and Mining Industry Index (Bloomberg: STMETL), with a 67% weighting; and</li> <li>• S&amp;P/TSX Oil &amp; Gas, Exploration &amp; Production Industry Index (Bloomberg: STOILP), with a 33% weighting.</li> </ul> <p>For each 2% of Sherritt’s relative performance, 1% of units are impacted, positively or negatively resulting in a range 80% — 120% of the award vesting.</p>
<b>Cessation of Employment</b>	<p><b>Death or Disability.</b> Vest immediately with a performance factor, if any, of 100%.</p> <p><b>Retirement or Termination without Cause.</b> Vest per normal vesting schedule.</p> <p><b>Resignation or Termination with Cause.</b> Awards are forfeited.</p>
<b>Change of Control</b>	<p>In the case of a change of control event where a survivor (which includes the Corporation), successor or acquiring entity (a “Successor”) exists, such Successor shall retain or assume the outstanding RSUs or substitute similar awards. If, within 24 months following the change of control event, a participant’s employment is terminated for a reason other than for just cause or resignation (other than resignation which constitutes constructive dismissal), all of the outstanding RSUs held by the participant will vest immediately upon the termination.</p> <p>If the Successor does not retain, assume or substitute all of the outstanding RSUs, all of the outstanding RSUs of each affected participant will be deemed to vest immediately prior to the change of control event. In the case where only part of the Corporation is subject to the change of control event, the Change of Control provisions of the Executive Share Unit Plan will only apply to the participants employed in the affected part of the business.</p>
<b>Recoupment</b>	RSUs granted since 2014 can be recouped if there is a restatement of financials which resulted from executive misconduct which led to an overpayment of incentive compensation.
<b>Assignability</b>	Not permitted.
<b>Amendments</b>	The Board may amend the Executive Share Unit Plan subject to any required regulatory or Shareholder approvals; provided a participant’s previously granted RSUs cannot be negatively affected without the participant’s consent.

## **Restricted Stock Plan**

The following table provides the details of the Restricted Stock Plan. Restricted Stock awards have not been granted since 2012. No amendments were made to the Restricted Stock Plan in 2016.

<b>Feature</b>	<b>Description</b>
<b>Securities</b>	Restricted Stock is beneficially owned by the participant, including the right to vote. Restricted Stock is held in trust for the participant during the restricted period.
<b>Eligibility</b>	Employees designated from time to time by the Human Resources Committee. Currently employees at the Senior Vice President level and above are eligible to participate.
<b>Calculation of Award</b>	Awards are converted into Shares by (a) deducting a consistent notional tax amount from the intended compensation value, (b) dividing the after-tax value by the market price, and (c) rounding the calculated number of Shares to the nearest 100.
<b>Dividends</b>	Dividends if any, are paid in cash to participants.
<b>Restrictions and Performance Conditions</b>	At the time of grant, the Human Resources Committee sets restrictions, including performance conditions, if any.
<b>Vesting</b>	Restricted Stock vests when any restrictions and performance conditions have been satisfied, which typically occurs three years from the date of grant.
<b>Cessation of Employment</b>	<b>Death:</b> Vest as of date of death. <b>Retirement, Disability and Termination without Cause:</b> Continue to vest per vesting schedule. <b>Resignation and Termination with Cause:</b> Forfeited.
<b>Amendments and Variations</b>	The Board has the authority to amend the Restricted Stock Plan, subject to any required regulatory or Shareholder approvals; provided a participant previously granted Restricted Stock cannot be negatively affected without the participant's consent.

## Stock Option Plan

The following table provides the details of the Stock Option Plan, which authorizes the granting of Stock Options with or without Tandem Stock Appreciation Rights (“**TSARs**”). TSARs have not been issued since March 2010. A housekeeping amendment was made in early 2016 to clarify that a double trigger is required for vesting in the event of a change of control. This amendment did not require shareholder approval pursuant to the amendment provisions of the Stock Option Plan.

	Stock Options	Stock Option with TSARs
<b>Securities</b>	A stock option (an “ <b>Option</b> ”) entitles a holder to purchase, in the future, a Share at a price (the “ <b>exercise price</b> ”) set at the time of grant.	An Option granted with a TSAR entitles the holder to a cash payment equal to the difference between the exercise price and the purchase price.
<b>Eligibility</b>	Senior Vice President level and above are eligible to participate.	
<b>Awards</b>	The number of Options granted to participants is calculated by dividing the compensation value of the award by the product of the market price on the date of grant and the Black Scholes value. The calculated number of Options and TSARs is rounded to the nearest 100.	
<b>Term</b>	Options are typically granted with a ten-year term. The maximum term is ten years (except where the Option with or without TSAR expires during a restricted trading period, in which case, the expiry date is extended to ten days following the end of the restricted trading period).	
<b>Vesting</b>	One-third vest and become exercisable on each of the first three anniversaries of the grant date.	
<b>Exercise</b>	<p>The exercise price is determined using the volume-weighted average trading price of a Share on the TSX for the five trading days immediately preceding the grant date.</p> <p>Upon exercise, a Share is issued from treasury.</p>	<p>The value of the TSAR is the difference between the exercise price and the volume-weighted average trading price of a Share on the TSX for the five trading days immediately preceding the exercise date.</p> <p>Upon exercise, the related Option is cancelled and the Share underlying the cancelled Option is no longer available for issuance.</p>
<b>Cessation of Employment</b>	<p><b>Death or Disability.</b> Options vest as at the date of death or disability and may be exercised within the earlier of 180 days of such date and the original expiry date.</p> <p><b>Resignation and Termination without Cause.</b> Vested Options and those that vest within 90 days of the termination date may be exercised. Unvested Options and vested Options that have not been exercised are cancelled 90 days from the date of termination.</p> <p><b>Retirement.</b> Options continue to vest as of the date of retirement and may be exercised within the earlier of 5 years from the date of retirement and the original expiry date.</p> <p><b>Termination with Cause.</b> Vested and unvested Options are cancelled on the date of termination.</p>	

	Stock Options	Stock Option with TSARs
<b>Change of Control</b>	<p>In the case of a change of control event where a survivor (which includes the Corporation), successor or acquiring entity (a “Successor”) exists, such Successor shall retain or assume the outstanding options or substitute similar awards. If, within 24 months following the change of control event, an optionee’s employment is terminated for a reason other than for just cause or resignation (other than resignation which constitutes constructive dismissal), all options held by the optionee will vest immediately upon the termination.</p> <p>If the Successor does not retain, assume or substitute all of the outstanding options, such options will be deemed to vest immediately prior to the change of control event. In the case where only a division of the Corporation is subject to the change of control event, the Change of Control provisions of the Stock Option Plan will only apply to optionees employed in such division.</p>	
<b>Recoupment</b>	Options granted since in 2014 can be recouped if there is a restatement of financials which resulted from executive misconduct which resulted in an over payment of incentive compensation.	
<b>Assignability</b>	Options are not assignable.	
<b>Limitations</b>	<p>The Stock Option Plan places certain limitations on grants and terms of Options with or without TSARs These include:</p> <ul style="list-style-type: none"> <li>• The exercise price must not be lower than the market price of the Shares at the date of grant;</li> <li>• The total number of Shares issued or issuable to any one person under the Stock Option Plan, together with all other security based compensation arrangements of the Corporation, shall not exceed 5% of the Corporation’s issued and outstanding securities;</li> <li>• The total number of Shares (a) issued to insiders of the Corporation within a one year period; and (b) issuable to insiders of the Corporation at any time under the Stock Option Plan, together with all other security based compensation arrangements of the Corporation, shall not exceed 10% of the Corporation’s issued and outstanding securities;</li> <li>• The exercise of Options with or without TSARs is subject to the Corporation’s Insider Trading Policy.</li> </ul>	
<b>Amendments and Variations</b>	<p>The Board or the Human Resources Committee may amend the terms of an Option in compliance with the Stock Option Plan.</p> <p>The Board may amend the Stock Option Plan subject to required regulatory or Shareholder approvals; provided a participant’s previously granted options cannot be negatively affected without the participant’s consent.<sup>(1)(2)</sup></p>	

**Notes:**

- (1) The Human Resources Committee may make certain types of amendments to the Stock Option Plan without seeking Shareholder approval, including amongst other things; (i) amendments of an administrative nature; (ii) amendments to the vesting provisions of the Stock Option Plan or any Option; (iii) amendments to the Stock Option Plan to comply with tax laws; (iv) amendments to termination provisions not providing an extension beyond the original expiry date, or a date beyond a permitted automatic extension in the case of an Option expiring during a blackout period; and (v) amendments providing for or modifying or deleting a cashless exercise feature, payable in cash or Shares and providing for a full deduction of underlying Shares from the Stock Option reserve.
- (2) Shareholder approval is required for the following types of amendments to the Stock Option Plan, including amongst other things: (i) amendments to the number of Shares issuable under the Stock Option Plan; (ii) amendments reducing the exercise price or purchase price of an Option; (iii) amendments to termination provisions providing an extension beyond the original expiry date, or a date beyond a permitted automatic extension in the case of an Option expiring during a blackout period; (iv) amendments to the eligibility requirements which could increase insider participation; and (v) amendments to permit options to be transferable or assignable other than for normal estate settlement purposes.

## Outstanding Option-Based and Share-Based Awards

The following table provides information concerning all unexercised Option-based awards and non-vested Share-based awards outstanding as of December 31, 2016 that were granted to the NEOs on or before December 31, 2016.

Name	Option-Based Awards				Share-Based Awards	
	# of Shares Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiry Date	Value of Unexercised In-The-Money Options <sup>(1)</sup> (\$)	# of Share-Based Awards that Have Not Vested (#)	Market or Payout Value of Share-Based Awards that Have Not Vested <sup>(2)</sup> (\$)
David Pathe	15,000	14.91	4 Jul 17	Nil		
	25,000	15.02	17 Jun 18	Nil		
	25,000	3.69	12 Nov 18	Nil		
	155,000	5.16	16 Jun 19	Nil		
	103,463	8.33	22 Mar 20	Nil		
	70,300	9.10	4 Mar 21	Nil		
	199,200	6.04	2 Mar 22	Nil		
	319,100	5.14	11 Mar 23	Nil		
	516,100	3.00	3 Mar 24	Nil		
	875,000	2.11	13 Mar 25	Nil		
	2,034,900	0.68	23 Feb 26	1,322,685		
				27,000	35,910	
				272,345 <sup>(3)</sup>	362,219	
				418,781 <sup>(3)</sup>	556,979	
				1,286,765 <sup>(3)</sup>	1,711,397	
	<b>4,338,063</b>			<b>1,322,685</b>	<b>2,004,891</b>	<b>2,666,505</b>
Dean Chambers	40,000	14.91	4 Jul 17	Nil		
	50,000	15.02	17 Jun 18	Nil		
	155,000	5.16	16 Jun 19	Nil		
	103,463	8.33	22 Mar 20	Nil		
	70,300	9.10	4 Mar 21	Nil		
	87,900	6.04	2 Mar 22	Nil		
	138,300	5.14	11 Mar 23	Nil		
	167,700	3.00	3 Mar 24	Nil		
	260,000	2.11	13 Mar 25	Nil		
					115,747 <sup>(3)</sup>	153,944
				162,727 <sup>(3)</sup>	216,427	
				882,355 <sup>(3)</sup>	1,173,532	
	<b>1,072,663</b>			<b>Nil</b>	<b>1,160,829</b>	<b>1,543,903</b>
Steve Wood	109,700	2.98	11 May 25	Nil		
	523,300	0.68	23 Feb 26	340,145		
					86,025 <sup>(3)</sup>	114,413
					500,000 <sup>(3)</sup>	665,000
	<b>633,000</b>			<b>340,145</b>	<b>586,025</b>	<b>779,413</b>
Tim Dobson					232,124 <sup>(3)</sup>	308,725
					713,240 <sup>(3)</sup>	948,609
	<b>N/A</b>			<b>N/A</b>	<b>945,364</b>	<b>1,257,334</b>

Name	Option-Based Awards				Share-Based Awards	
	# of Shares Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiry Date	Value of Unexercised In-The-Money Options <sup>(1)</sup> (\$)	# of Share-Based Awards that Have Not Vested (#)	Market or Payout Value of Share-Based Awards that Have Not Vested <sup>(2)</sup> (\$)
Elvin Saruk	50,000	14.91	4 Jul 17	Nil		
	50,000	15.02	17 Jun 18	Nil		
	155,000	5.16	16 Jun 19	Nil		
	103,463	8.33	22 Mar 20	Nil		
	70,300	9.10	4 Mar 21	Nil		
	52,700	6.04	2 Mar 22	Nil		
	71,800	5.14	11 Mar 23	Nil		
	87,100	3.00	3 Mar 24	Nil		
	135,000	2.11	13 Mar 25	Nil		
	314,000	0.68	23 Feb 26	204,100		
				119,153 <sup>(3)</sup>	158,473	
				167,514 <sup>(3)</sup>	222,794	
				514,710 <sup>(3)</sup>	684,564	
	<b>1,089,363</b>			<b>204,100</b>	<b>801,377</b>	<b>1,065,831</b>

**Notes:**

- (1) The "Value of Unexercised In-The-Money Options" is calculated by multiplying the difference between the Option exercise price and the closing price of Shares on the TSX on December 31, 2016, which was \$1.33, by the number of outstanding Stock Options (both vested and unvested). Where the difference was negative, the Stock Options are not in-the-money and no value is reported. Any actual payments resulting from the exercise of Stock Options under the Stock Option Plan are calculated by multiplying the difference between the Stock Option exercise price and the volume-weighted average trading price of a Share on the TSX for the five (5) trading days preceding the exercise date, by the number of outstanding Options.
- (2) The market value of the share-based awards is calculated by multiplying the number of unvested share-based awards by the closing price of Shares on the TSX on December 31, 2016, which was \$1.33. Does not include one-time share unit awards which have been forfeited or cancelled.
- (3) Represents 100% of outstanding RSUs. The final number of RSUs that vest will vary from 80% to 120% of the number of RSUs originally awarded plus dividend equivalents reinvested, if applicable. Reference — *2016 Mid- and Long-term Incentive Awards — Annual Awards* — above for details of the performance conditions that will be applied at vesting.

### Value Vested or Earned During the Year

The following table provides information concerning: (i) the aggregate dollar value that would have been realized by the NEOs if their option-based awards that vested during 2016 had been exercised on the vesting date; (ii) the aggregate dollar value that would have been realized by the NEOs if their share-based awards that vested during 2016 had been paid out on the vesting date; and (iii) the aggregate dollar value of all non-equity incentive plan compensation earned by the NEO during 2015.

Name	Option-Based Awards Value Vested During the Year <sup>(1)</sup> (\$)	Share-Based Awards Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation Value Earned During the Year (\$)
David Pathe	Nil	97,606	536,250
Dean Chambers	Nil	55,310	219,100
Steve Wood	Nil	N/A	204,800
Tim Dobson	N/A	N/A	206,600
Elvin Saruk	Nil	56,036	178,400

**Notes:\***

- Messrs. Pathe, Chambers, Saruk and Wood had Stock Options that vested during 2016. The value of these securities is calculated by multiplying (a) the number of Stock Options that vested during the year by (b) the difference between the exercise price of each such Option and the closing price of the Shares on the TSX on the vesting date for such Option. If the vesting date was not a trading day, the closing price on the first trading day immediately following the vesting date was used. Where the difference was negative, the Stock Options are not in-the-money and no value is reported.
- Messrs. Pathe, Chambers and Saruk had RSUs that vested on March 2, 2016. The value of these awards were calculated by multiplying (a) the number of RSUs that were awarded; (b) plus dividend equivalents credited when dividends were paid to Shareholders; (c) multiplied by the relative total shareholder return performance factor, which was 80% as Sherritt did not meet the threshold level of RTSR for the performance condition to be met; (d) multiplied by the volume-weighted average price of Sherritt shares for the five trading days immediately preceding the vesting date, which was \$0.98.

### Executive Share Ownership Requirements

In 2009, the Corporation established share ownership requirements for the senior executive officers of the Corporation (“**Executive SOR**”) which are designed to align the interests of executives with the interests of Shareholders. The Executive SOR can be satisfied with Shares, Restricted Stock and RSUs held by executives (the “**Executive SOR Holdings**”). The Executive SOR is a multiple of each executive’s base salary, with the President & CEO required to maintain 3 times his base salary and each of the other senior executive officers are required to maintain 1 times his or her base salary. Executives have five years from the later of (i) the date the policy was introduced; or (ii) the date they were appointed to a position with a new Executive SOR level to meet their Executive SOR requirement.

The table below provides the Executive SOR Holdings for each NEO as of December 31, 2016.

Name	Executive SOR		Executive SOR Holdings <sup>(1)</sup>					Total Ownership Multiple	Minimum Ownership Met
	Multiple of Base Salary	Total (\$)	Common Shares (\$)	Restricted Share Units (\$)	Restricted Stock (\$)	Total Ownership (\$)			
David Pathe	3	2,475,000	897,490	2,728,890	133,920	3,876,220	1.6	Yes	
Dean Chambers	1	450,000	188,671	1,867,509	N/A	2,056,179	4.6	Yes	
Steve Wood	1	450,000	58,336	920,869	N/A	979,205	2.2	Yes	
Tim Dobson	1	400,000	Nil	1,438,220	N/A	1,438,220	3.6	Yes	
Elvin Saruk	1	380,000	437,954	1,398,959	N/A	1,836,913	4.8	Yes	

**Notes:**

- Executive SOR Holdings were calculated using the number of Shares, Restricted Stock and RSUs held as at December 31, 2016 multiplied by the greater of (a) the grant or purchase price and (b) the closing price on the TSX on December 31, 2016 (\$1.33). Assumes 100% of the RSUs granted to NEOs will vest. The final number of RSUs that vest will vary from 80% to 120% depending on the Corporation’s relative total shareholder return performance over the vesting period. See — *Executive Share Unit Plan* — for details on page 61. The total number of Shares includes Shares subject to vesting under the terms of the ESOP.

Effective 2017 the Human Resources Committee and Board have approved an increase to the SOR for EVPs to two-times base salary and are introducing a post-retirement hold for the President & CEO which extends the SOR for 1 year post the President & CEO’s retirement.

## **Securities Authorized for Issuance Under Equity Compensation Plans**

The following table sets out information with respect to the stock compensation plans of the Corporation under which equity securities of the Corporation are authorized for issuance to employees or former employees, in exchange for consideration in the form of goods or services. Information in the table below is given as at December 31, 2016.

Plan Category	Securities to be Issued Upon Exercise of Outstanding Stock Options		Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Securities Remaining Available for Future Issuance Under Equity Compensation Plans <sup>(2)</sup>		Total Securities Outstanding & Available for Future Issuance	
	Number	% of Shares Outstanding		Number	% of Shares Outstanding	Number	% of Shares Outstanding
Stock Option Plan approved by securityholders <sup>(1)</sup>	9,598,416	3.3%	\$3.57	1,686,588	0.57%	11,285,004	3.84%
Equity compensation plans not approved by securityholders	N/A	N/A	N/A	N/A	N/A	N/A	N/A

### **Notes:**

- (1) Represents Shares issuable under the Corporation's Stock Option Plan. The Stock Option Plan was established in 1995 following the creation of the Corporation and before the Shares were distributed to the public. The Stock Option Plan was amended in 2005, 2007, 2010 and 2014.
- (2) The Corporation is authorized to issue up to 17,500,000 Shares under the terms of the Stock Option Plan. The number of Shares available for future issuance under the Plan includes Shares that have not previously been reserved for a Stock Option grant and Shares underlying unexercised Stock Options that have expired or were terminated.

As of date of this Circular, there were 10,730,061 stock options outstanding under the Stock Option Plan, representing approximately 3.6% of the Corporation's current issued and outstanding Shares. As of the date of this Circular, this leaves an aggregate of 554,943 stock options available for grant under the Stock Option Plan, representing 0.19% of the Corporation's issued and outstanding Shares.

## **Stock Option Plan Overhang, Dilution and Burn-Rate**

The following table sets out information with respect to the overhang, dilution and burn-rate calculations for the Stock Option Plan as at December 31, 2016.

	Description	Percentage
Overhang	The total number of Shares reserved for issuance under the Stock Option Plan plus the number of Stock Options and TSARs outstanding, divided by the number of total Shares outstanding.	3.8%
Dilution	The number of Stock Options and TSARs outstanding, divided by the number of total Shares outstanding.	3.3%
Burn-rate	The total number of Stock Options issued in 2016 divided by the number of total Shares outstanding.	1.3%

## PENSION BENEFITS

No changes were made to the retirement savings program in 2016. Retirement savings contributions made on behalf of the executive is outlined in the table below.

Executive Level	Contribution (% of Base Salary)
CEO	12%
EVP	12%
SVP	12%

Contributions made on behalf of the executive are directed to a group retirement savings plan and such amounts are reported as an element of All Other Compensation in the Summary Compensation Table on page 58. For Canadian residents such contributions continue until the annual maximum RRSP contribution limit is reached. The remaining contributions are notionally directed to the executive's ESPP account. Non-Canadian residents have the full value of their retirement savings contributions directed to an international retirement savings plan.

The following table sets forth details of the ESPP accounts for each of the NEOs, the proceeds of which are payable to NEOs upon cessation of their employment.

	Accumulated Value at Start of the Year (\$)	Compensatory <sup>(1)</sup> (\$)	Accumulated Value at Year End (\$)
David Pathe	411,867	76,130	492,455
Dean Chambers	436,711	35,480	517,464
Steve Wood	7,061	31,130	71,426
Elvin Saruk	433,749	20,230	459,107

### Notes:

- (1) Compensatory changes represent the notional amount contributed in 2016 to each NEO's ESPP account.
- (2) Mr. Dobson does not participate in the ESPP, as a non-Canadian resident he is not eligible to do so. 100% of his retirement savings are directed to an international retirement savings plan and are reported in the Summary Compensation Table.

## TERMINATION AND CHANGE OF CONTROL BENEFITS

### Employment Agreements and Termination Arrangements

Employment agreements are in place with Mr. Pathe and Mr. Wood. For Messrs. Chambers, Dobson and Saruk, any severance entitlements are in accordance with statutory requirements and common law.

The following table summarizes the details of termination arrangements outlined in Mr. Pathe's and Mr. Wood's employment agreements.

	David Pathe	Steve Wood
Base Salary	24 months	18 months
STI	2x the average of the prior two years' payment value; plus a pro-rata annual incentive for the year of termination.	1.5x the greater of (a) 75% of target for current year and (b) actual award for prior year (not to exceed 100% of target).
Mid- and long-term incentives	Pursuant to the terms of the applicable plan for awards previously received.	Pursuant to the terms of the applicable plan for awards previously received.
Benefits and perquisites	24 months	18 months

## **Change of Control**

Upon appointment to the SVP level or above, change of control agreements have been entered into with each executive. Accordingly, change of control agreements exist for each of Messrs. Pathe, Chambers, Wood, Dobson and Saruk. Under the terms of these agreements, if the executive's employment is terminated without cause or if they resign for good reason (as defined in the change of control agreement) within 24 months of a change of control or prior to a change of control at the request of an acquirer, the executive is entitled to certain benefits.

For purposes of these agreements, change of control is defined as:

- (1) the acquisition (directly or indirectly) by any person or a combination of persons acting jointly or in concert (other than an entity or entities that were, immediately prior to such acquisition, affiliates of the Corporation) of more than 50% of the voting securities of the Corporation;
- (2) fifty percent or more of the issued and outstanding voting securities of the Corporation become subject to a voting trust other than a voting trust controlled by any entity or entities that were, immediately prior to such disposition, affiliates of the Corporation;
- (3) a majority of the directors of the Corporation are removed from office or fail to be re-elected at any annual or special meeting of Shareholders, or a majority of the directors resign from office over a period of 60 days or less, and the vacancies created thereby are not filled by appointments made by the remaining members of the Board;
- (4) the disposition of all or substantially all of the assets of the Corporation other than to an entity or entities that were, immediately prior to such disposition, affiliates of the Corporation;
- (5) where applicable, the disposition of all or substantially all of the assets of a division of the Corporation in which the Executive is employed other than to an entity or entities that were, immediately prior to such disposition, affiliates of the Corporation;
- (6) any resolution is passed or any action or proceeding is taken with respect to the liquidation, dissolution or winding-up of the Corporation;
- (7) the Corporation amalgamates with one or more entities other than any entity or entities that were, immediately prior to such amalgamation, affiliates of the Corporation, if the result of such amalgamation is that persons who were formerly Shareholders of the Corporation immediately prior to such amalgamation hold less than a majority of the voting securities of the amalgamated entity;
- (8) the Corporation enters into any transaction or arrangement which would have the same or similar effect as any of the transactions referred to in the foregoing paragraphs; or
- (9) any person (other than the executive or any of his associates) makes a bona fide take-over bid for the Shares of the Corporation that, if successful, would result in a change of control of the Corporation as defined in paragraph 1 above.

The treatment of Share-based compensation awards upon a change of control is governed by:

- the terms of our various compensation plans and is described below for a change of control without a termination;
- the terms of the change of control agreement for change of control with a termination.

The following table summarizes the compensation that would be paid to the NEO in a change of control with and without termination.

	<b>Change of Control without Termination</b>	<b>Double Trigger Change of Control with Termination</b>
Severance	None	Lump sum payment equal to the sum of: <ul style="list-style-type: none"> <li>• two times base salary at date of termination;</li> <li>• two times annual incentive at target performance;</li> <li>• 24 months of retirement savings contributions;</li> <li>• 24 months of perquisite allowance; and</li> <li>• 24 months of benefit premiums.</li> </ul>
Options with or without TSARs	<p><b>Options granted after 2014:</b> Continue to vest and become exercisable per normal schedule.</p> <p><b>Options granted 2014 and earlier:</b> Immediately vest.</p>	Immediately vest and become exercisable for a period of 12 months from the termination date.
RSUs	Continue to vest per normal vesting schedule.	Vest and become payable upon termination. Performance conditions, if any, will be deemed to have been met at target performance (100%) if RSUs are not assumed or the participant is terminated without cause within 24 months of the change of control.
Restricted Stock	The Board has the discretion to provide that some or all of the Restricted Stock held by the participant vests on or within a specified period prior to or following the change of control.	Vest and unrestricted ownership is transferred to participant.
Helms-Burton Allowance	Not impacted.	Continues until the NEO is removed from the Title IV list.

**Notes:**

- (1) The change of control agreements do not include any non-compete or non-solicitation provisions.
- (2) The NEO is expected to take necessary action to be removed from the Title IV list, and provided with reasonable assistance as may be necessary.

### **Calculation of Incremental Amounts**

The incremental amounts payable to each of the NEOs under various termination scenarios are set out in the table below. The estimated incremental amounts include the amounts described in the Termination and Change of Control tables set out above, as well as other amounts payable in accordance with the Corporation's incentive plans. The actual amount that an NEO will receive under each termination of employment scenario depends on actual circumstances at time of termination. As there are many factors that would affect the nature of the amount of any benefit provided to the NEO as a result of a termination of employment, actual amounts may be higher or lower than what is described below. The following assumptions have been made for purposes of calculating the incremental benefit for each NEO:

- Termination date of December 31, 2016;
- Closing Share price as at December 31, 2016, which was \$1.33;
- As all the unvested Stock Options which would vest are not-in-the money at December 31, 2016, there is no incremental benefit;
- For retirement, termination without cause and change of control with termination, three months of Helms-Burton Allowance; and
- The incremental amount for termination without cause does not include amounts that may be payable under common law to Messrs. Chambers, Dobson and Saruk. The incremental amounts for each of Messrs. Pathe and Wood for a termination without cause are determined in accordance with their respective employment agreements.

	<b>David Pathe</b>	<b>Dean Chambers</b>	<b>Steve Wood</b>	<b>Tim Dobson</b>	<b>Elvin Saruk</b>
Resignation	Nil	Nil	Nil	Nil	Nil
Retirement	\$ 37,500	\$ 22,500	Nil	Nil	\$ 19,000
Termination with Cause	Nil	Nil	Nil	Nil	Nil
Termination without Cause	\$2,969,097	Nil	\$1,492,728	Nil	Nil
Change of Control without Termination	Nil	Nil	Nil	Nil	Nil
Change of Control with Termination without Cause	\$9,599,008	\$4,607,756	\$3,820,766	\$3,935,216	\$3,586,327

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

Other than routine indebtedness as defined under Canadian securities laws, none of the executive offices, directors, employees and former executive officers, directors and employees of the Corporation or any of its subsidiaries have been indebted to the Corporation at any time since the beginning of the last completed financial year of the Corporation.

### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED ON**

To the knowledge of the Corporation, no person who has been a director or executive officer of the Corporation at any time since the beginning of its last completed financial year, no proposed nominee for director of the Corporation nor any associate or affiliate of the foregoing, has any material interest, direct or indirect, by way of beneficial ownership of securities of otherwise, in any matter to be acted upon at the Meeting.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

To the knowledge of the Corporation, no informed person of the Corporation, proposed director, or any associate or affiliate of any informed person or proposed director has a material interest, direct or indirect, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or its subsidiaries.

## ADDITIONAL INFORMATION

Financial information for the financial year ended December 31, 2016 is provided in the Corporation's audited consolidated financial statements and management's discussion and analysis of the audited consolidated financial statements for the year ended December 31, 2016 (the "MD&A"). Shareholders who wish to be added to the mailing list for the annual and interim financial statements and MD&A should contact the Corporation at 181 Bay St., 26<sup>th</sup> Floor, Toronto, Ontario M5J 2T3; Attention: Corporate Secretary.

Copies of the Corporation's 2016 AIF, together with one copy of any document, or the pertinent s of any document, incorporated by reference in the 2016 AIF, the Corporation's most recently filed comparative annual financial statements, together with the accompanying report of the auditor, and any interim financial statements of the Corporation that have been filed for any period after the end of the Corporation's most recently completed financial year, and this Circular are available, upon request, from the Corporate Secretary of the Corporation, without charge, to Shareholders.

The 2016 financial statements and MD&A, the 2016 AIF and other information relating to the Corporation are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

## DIRECTORS' APPROVAL

The contents of this Circular and its sending to Shareholders have been approved by the directors of the Corporation.

By Order of the Board of Directors

*"David Pathe"*

David Pathe  
President and Chief Executive Officer

Toronto, Ontario  
May 5, 2017

**SCHEDULE “A”**  
**SHERRITT INTERNATIONAL CORPORATION**  
**MANDATE OF THE BOARD OF DIRECTORS**

**1. GENERAL**

The Board of Directors (the “Board”) is responsible for overseeing the management of the business and affairs of Sherritt International Corporation (the “Corporation”) according to lawful and ethical standards and in accordance with the Corporation’s viability as a going concern.

The Board has the power to delegate its authority and duties to committees of the Board as it determines appropriate, as permitted by applicable law. Board committees are accountable to the Board, which at all times retains its oversight function and ultimate responsibility for all delegated responsibilities.

**2. BOARD DUTIES AND RESPONSIBILITIES**

**Directors and Senior Management**

- Appoint the Chairman, the Lead Director (in cases where the Chairman is not independent), the President and CEO and other senior officers and, as permitted by applicable law, delegate to senior management responsibility for the Corporation’s day-to-day operations.
- With the assistance of the Nominating and Corporate Governance Committee, evaluate the performance of the Chairman against the position description developed by the Board.
- With the assistance of the Human Resources Committee, evaluate the performance of the President and CEO against the position description developed by the Board. In cases where the role of Chairman and President and CEO is combined, the Chairman shall be excluded from this evaluation.
- With the assistance of the Nominating and Corporate Governance Committee, ensure that management maintains a process that adequately provides for succession planning of senior management.

**Ethical Leadership**

- Foster an ethical corporate environment and ensure that the President and CEO and other senior officers manage the business and affairs of the Corporation in an ethical and legal manner and exhibit ethical leadership throughout the Corporation.

**Strategic Direction and Risk Assessment**

- With the assistance of the applicable Board committee, assess and approve management’s strategic plan and review and approve annual business plans developed and proposed by management. The Board will:
  - provide advice and input regarding strategic opportunities, issues and circumstances which could threaten the Corporation’s viability as a going concern;
  - approve business and operational policies within which management will operate in relation to capital expenditures, acquisitions and dispositions, disclosure and communications, finance and investment, risk management and human resources;
  - set annual corporate and management performance targets consistent with the Corporation’s strategic plan;
  - review and discuss with management the process used by management to assess and manage risk, including the identification by management of the principal risks of the Corporation’s business and the implementation by management of appropriate systems to deal with such risks; and
  - confirm that processes are in place to address and comply with applicable legal, regulatory, corporate, securities and other compliance matters.

**Financial Reporting and Management**

- The Board will approve annual operating and capital budgets.

- With the assistance of the Audit Committee, the Board will:
  - review and oversee the integrity of the Corporation with respect to its compliance with applicable audit, accounting and financial reporting requirements;
  - oversee the integrity of the Corporation's disclosure controls and procedures and internal controls over financial reporting, and management information systems;
  - review operating and financial performance results relative to established strategies, plans, budgets and objectives; and
  - approve the Corporation's annual financial statements and related management's discussion and analysis and earnings press releases.

### **Disclosure, Communications and Insider Trading**

- With the assistance of the Nominating and Corporate Governance Committee, satisfy itself that appropriate policies and procedures are in place regarding public disclosure, communications and restricted trading by insiders.

### **Corporate Governance**

- With the assistance of the Nominating and Corporate Governance Committee, the Board will:
  - ensure that there exists an appropriate system of corporate governance, including practices to facilitate the Board's independence;
  - ensure that the necessary Board committees are in place and approve: (i) any changes to their respective mandates; (ii) the mandate of any new committee; and (iii) the authority delegated to each committee;
  - ensure that there exists appropriate processes for the annual evaluation of Board and committee effectiveness and the contributions of individual directors; and
  - approve the nomination of directors.

### **Independence**

In cases where the Chairman is not independent, a Lead Director shall be appointed annually from among the independent directors, and may be removed, by a majority of the independent directors and shall be recommended by the Nominating and Corporate Governance Committee.

The principal role of the Lead Director is to facilitate the functioning of the Board independent of management and the Chairman and serve as an independent leadership contact for the directors and senior executives. The Lead Director shall consult with the Chairman and approve the agendas, board materials and schedules for board meetings, preside over in camera sessions of independent directors, call, if necessary, the holding of special meetings of the Board or independent directors and oversee the annual Board and individual director evaluation process (including providing the Chairman with an annual performance evaluation).

### **Compensation of Senior Officers and Directors**

- With the assistance of the Human Resources Committee, the Board will:
  - approve the compensation of the President and CEO and senior management reporting directly to the President and CEO, as well as compensation policies for the President and CEO and other senior officers;
  - approve the compensation of directors, including the Chairman; and
  - approve any equity-based compensation plans for eligible directors, officers and other employees of the Corporation.

### **Environment, Health, Safety and Sustainability**

- With the assistance of the Environment, Health, Safety and Sustainability Committee, the Board will:
  - monitor the scope of environment, health and safety, security and sustainability risks to the Corporation's operations and future growth and ensure the adequacy and effectiveness of the Corporation's management systems and controls to mitigate these risks and attendant liabilities;

- ensure compliance with legal and regulatory requirements and any voluntary commitments the Corporation has made related to environment, health and safety, security and sustainability with a focus on continuous improvement and ensuring consistent practice across the Corporation and its divisions;

### **3. DIRECTOR DUTIES AND RESPONSIBILITIES**

- Each director must act honestly and in good faith with a view to the best interests of the Corporation and its shareholders by exercising the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In order to fulfill this responsibility, each director is expected to:
  - participate with management in assessing strategic and business plans;
  - develop and maintain a thorough understanding of the Corporation's operational and financial objectives, financial position and performance and the performance of the Corporation relative to its principal competitors;
  - participate in each meeting, including seeking clarification from management and outside advisors where necessary to fully understand the issues under consideration;
  - disclose any personal interests that conflict with, or may appear to conflict with, the interests of the Corporation; and
  - engage in continuing education programs for directors, as appropriate.

### **4. BOARD COMPOSITION**

- With the assistance of the Nominating and Corporate Governance Committee, determine the size and composition of the Board, Board member qualifications and Board member independence to ensure that a majority of directors qualify as independent directors as determined under applicable Canadian securities laws.

### **5. CHAIRMAN OF THE BOARD**

In cases where the Chairman is an independent director, the Chairman is responsible for ensuring that the Board operates independently of management and that directors have an independent leadership contact.

#### **Specific Roles and Responsibilities**

- The Chairman will:
  - chair meetings of the directors and assume such other responsibilities which the directors as a whole may designate from time to time;
  - ensure that directors have adequate opportunities to meet without management present;
  - communicate to senior management as appropriate the results of private discussions among directors;
  - monitor compliance with the Corporation's governance policies; and
  - meet annually with each director to obtain insight as to areas where the Board and its committees could be operating more effectively.

In cases where the Chairman is not an independent director, the Lead Director will chair all in camera meetings of the independent directors and ensure that independent directors have adequate opportunities to meet without management, as well as informing the Chairman of the results of private discussion among the independent directors.

Please refer to the Corporation's document entitled "Chairman's Terms of Reference", attached as Appendix "A" for additional responsibilities of the Chairman.

### **6. BOARD MEETINGS**

- Board meetings are scheduled in advance and are held not less than quarterly.
- In addition to regularly scheduled Board meetings, additional Board meetings may be called upon proper notice at any time to address specific needs of the Corporation.
- An in-camera session will be held at each regularly scheduled Board meeting.
- The Board may also take action from time to time by unanimous written consent.
- A Board meeting may be called by the Chairman, the Lead Director (if applicable) or any director.

(Revised April 2017)

## APPENDIX 'A'

### CHAIRMAN'S TERMS OF REFERENCE

The principal role of the Chairman of the Board of Directors ("Board") of Sherritt International Corporation (the "Corporation") is to provide leadership to the Board. The Chairman is responsible for effectively managing the affairs of the Board and ensuring that the Board is properly organized and that it functions efficiently and, in cases where the Chairman is an independent director, independent of management. Where the role of Chairman and President and Chief Executive Officer is not combined, the Chairman also advises the President and Chief Executive Officer in all matters concerning the interests of the Corporation, the Board and the relationships between management and the Board.

More specifically, the Chairman shall:

#### **A. Strategy**

1. Provide leadership to enable the Board to act effectively in carrying out its duties and responsibilities as described in the Mandate of the Board and as otherwise may be appropriate.
2. Work with the Board, the President and Chief Executive Officer and other management to monitor progress on the Corporation's business plans, annual budgets, policy implementation and succession planning.
3. Assist the President and Chief Executive Officer in presenting the corporate vision and strategies to the Board, large shareholders, partners and the outside world.

#### **B. Advisor to President and Chief Executive Officer**

4. In the case where the roles of the Chairman and President and Chief Executive Office is not combined:
  - a. Provide advice, counsel and mentorship to the incumbent President and Chief Executive Officer; and
  - b. In consultation with the President and Chief Executive Officer, ensure that there is an effective relationship between management personnel and the members of the Board.

#### **C. Board Structure and Management**

5. Preside over Board meetings and annual and special meetings of shareholders.
6. Provide advice, counsel and mentorship to fellow members of the Board.
7. Execute the responsibilities of a company director according to the lawful and ethical standards and in accordance with the Corporation's policies.
8. Take a leading role, together with the Nominating and Corporate Governance Committee, in determining the composition of the Board and its committees to achieve maximum effectiveness.
9. In consultation with the President and Chief Executive Officer, the Corporate Secretary, the Lead Director and the chairs of the Board committees, as appropriate, determine the frequency, dates and locations of meetings of the Board, of Board committees and of the shareholders.
10. In consultation with the President and Chief Executive Officer, Corporate Secretary and the Lead Director, review the annual work plan and the meeting agendas to ensure all required business is brought before the Board to enable it to efficiently carry out its duties and responsibilities.
11. Ensure the proper flow of information to the Board and review, with the President and Chief Executive Officer, Corporate Secretary and the Lead Director, the adequacy and timing of materials in support of management personnel's proposals.

#### **D. Compensation Matters and Succession Planning**

In cases where the Chairman is independent, the Chairman shall, in conjunction with the Human Resources Committee:

12. Recommend compensation awards for President and Chief Executive Officer and be available to advise the Board on general compensation matters.
13. Advise the Board on performance of the President and Chief Executive Officer and succession planning of the President and Chief Executive Officer.

14. President and Chief Executive Officer, develop executive succession planning options to support the Corporation's strategies and to capitalize on opportunities for growth and/or acquisition.

If the Chairman is not independent, the Lead Director shall assume the responsibilities of the chairman in respect of items 12, 13 and 14 above.

## Questions? Need Help Voting?

Please contact our Strategic Shareholder Advisor and Proxy Solicitation Agent, Kingsdale Advisors

### CONTACT US:

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