

Our Approach to Value Chain Management

Which Teck sites does this document apply to?

This document summarizes our approach to value chain management. This document applies to all Teck-controlled sites and projects, inclusive of contractor activities. This does not include operations in which Teck has/had an ownership interest but is not the principal operator.

Value chain performance information: See our **Annual Sustainability Report**, available for download on our website.



Haul truck at Fording River Operations, Canada, 2013

Background

Teck is a significant producer of copper, zinc and steelmaking coal, and we produce specialty metals such as germanium, indium, cadmium, gold doré and silver. We also produce some industrial products and fertilizers, which are by-products from our zinc and lead smelting operations in Trail, British Columbia. Teck procures a range of goods such as mobile equipment, machinery, fuel and lubricants, explosives, and a range of other supplies and services that support large-scale mining and refining operations. We produce a variety of products that we sell directly to customers, who in turn process and use these materials in their own products, with further value being added along the chain to our end users. The following stakeholders are included in our value chain:

- **Suppliers:** We rely on an international network of suppliers to provide the products, materials and goods needed to support our operations. These include mining equipment and spare parts, tires, fuel and lubricants, explosives, electricity, operating materials and consumables, and chemicals for processing.
- **Service Providers:** We outsource selected operational activities to third parties, typically due to their cost-effectiveness or technical capabilities. Typical activities carried out by service providers and contractors include heavy mining equipment maintenance; transport and logistics; mechanical, electrical and construction work; general exploration drilling; and technical/engineering consultancy.
- **Partners:** We share ownership of some of our assets is shared with joint venture partners. This includes, for example, our Antamina mine in Peru (BHP Group Limited, Glencore plc and Mitsubishi Corporation).

- **Customers:** Our customers include refineries, smelters and steel mills. Our products are purchased for immediate use or for further processing. In addition, we provide other customers with various metals and chemical by-products.
- **End Users:** Our products are used by a variety of industries, including construction; transportation, automobile and logistics; electronics and telecommunications; power generation and transmission; domestic appliances; consumer goods and nutritional supplements; and agriculture.

Governance and Accountability

Accountability and Resourcing

The Board of Directors, through its Safety and Sustainability Committee, oversees health, safety, environment and community policies, systems, performance and auditing, including Teck's sustainability-related standards (Sustainability Standards). The Standards include specific guidance on contractor and supplier management.

The following senior leaders at the corporate level are involved in implementing value chain management practices:

- Our Senior Vice President (SVP) and Chief Commercial Officer and Chair, Materials Stewardship Committee, reports directly to the President and Chief Executive Officer (CEO), and is responsible for supply, marketing and logistics, managing supply chain risk and providing strategic direction for material stewardship activities at Teck



Fort Hills, Alberta, Canada, 2013.

- Our SVP and General Counsel reports directly to the CEO, and ensures proactive, timely and effective overview of our company’s legal, risk and anti-corruption practices
- Our SVP, Sustainability and External Affairs reports directly to the CEO and is responsible for sustainability, health and safety, environment, community, and Indigenous affairs
- The Vice President, Communities, Government Affairs and HSEC Systems leads activities related to social management and responsibility, community engagement and community investment, Indigenous affairs, and human rights

Value chain management is a multidisciplinary function at Teck involving several departments:

- The Supply Chain Management group oversees inbound supply chain risks, and our Logistics and Transportation group oversees outbound risks
- The Materials Stewardship Committee provides strategic direction and the framework for materials stewardship and supply chain risk management at Teck. It establishes criteria as they pertain to product, business, customer and downstream/upstream issues. The team’s activities include identifying and managing risks associated with customer assessments, supply chain reviews, product approvals, transportation, regulations, technical advice, human rights, environmental and health guidance, legal, and new product application reviews and approvals.
- The Social Performance and Government Relations group administers the Human Rights Policy, inclusive of the rights of workers in our supply chain
- The Operations, Project Development and Exploration groups, along with other functional areas, manage supply chain matters related to on-site contractors and procurement
- The Corporate Risk and Legal groups support our Supply Management, Logistics and Transportation, and Operations and Exploration groups; the Corporate Risk group identifies and manages supply chain risks through the corporate risk assessment processes, and the Legal group manages commercial contract development and compliance with Teck’s policies related to our supply chain

Policies and Standards

All suppliers are required to adhere to our [Expectations for Suppliers and Contractors](#), which supplements the requirements, guidelines and standards of conduct described in Teck’s other internal and external policies, including Teck’s [Code of Ethics](#), [Anti-Corruption and Bribery Compliance Policy and Interpretation Guide](#), [Human Rights Policy](#), [Indigenous Peoples Policy](#), and [Equity, Diversity and Inclusion Policy](#).

Teck’s Expectations for Suppliers and Contractors have been established to clearly communicate the minimum standard of conduct expected of all suppliers of goods and contractors performing services for, or on behalf of, Teck. The expectations apply to suppliers and all their parent, subsidiary and affiliated companies, and to their respective employees, contractors and agents to the extent those entities or individuals are supplying goods or performing services for, or on behalf of, Teck. These expectations are broadly communicated to all our suppliers and contractors and are included in our contracts as an alignment with such suppliers and contractors to uphold these moral and ethical principles that are based on honesty, integrity and respect.

The expectations include our requirement that suppliers and service providers address issues relating to ethics, health and safety, environmental stewardship, local communities and Indigenous Peoples, and human rights, including labour law requirements. They integrate stipulations regarding fair working conditions, non-discrimination and zero tolerance for modern slavery, including child labour and forced labour.

The expectations also incorporate Teck’s Sustainability Contractor and Supplier Management Standard. This Standard requires us to identify and manage sustainability and supply chain risks by assessing performance and practices when selecting contractors and suppliers, by maintaining oversight of risks associated with the goods and services provided, and by assessing other opportunities and threats within the supply chain.

In addition to the Expectations for Suppliers and Contractors, Teck’s [Responsible Mineral Sourcing Standard](#) communicates our commitment to ensuring responsible sourcing of mineral concentrates from mines for our Trail Operations, and to promote conflict-sensitive sourcing practices to our suppliers.

Memberships, Partnerships and External Commitments

Teck works with numerous local, national and international organizations and programs to support value chain management:

- **International Council on Mining and Metals (ICMM):** A global industry association that represents leading international mining and metals companies who are required to implement the ICMM Principles, the Position Statements and the Performance Expectations, which include criteria related to responsible production.
- **Mining Association of Canada (MAC)—Towards Sustainable Mining (TSM):** A Canadian industry association that promotes the development of the country's mining and mineral processing industry, works with governments on policies applicable to the sector, and promotes the value that mining brings to the economy and daily life of Canadians while operating responsibly using the Towards Sustainable Mining Protocols.
- **The Copper Mark:** A multi-metals assurance framework developed by the International Copper Association to promote responsible practices and to demonstrate the contribution of the transition minerals industry to the United Nations Sustainable Development Goals.
- **Business for Social Responsibility (BSR):** A global sustainable business network and consultancy that provides guidance and expertise on human rights management, risk assessments and supply chain due diligence. Teck is a member of BSR's Human Rights Working Group.

Management of Suppliers and Service Providers

Through responsible supply chain management, our objective is to minimize our potential impacts on people and on the environment, and to manage business and reputation risks while capitalizing on opportunities. For example, we make efforts to source supplies and services from local sources, including from Indigenous Peoples where possible.

Teck's general supply chain strategy spans the life cycle of the goods and services acquired. The priorities include ensuring our suppliers meet our requirements for quality, supply capacity, timeliness, competitiveness, ability to provide security of supply, and adherence to and fulfillment of supplier expectations. In addition, our collaborative, centre-led approach to value management spans several operationally important high-spend categories of equipment, products and services. This cooperative approach ensures the benefit of Teck's scale is leveraged to deliver bottom-line value and benefits to our operations,

and differentiates Teck as a customer of choice to our suppliers and service providers. We are committed to lowering Teck's costs while simultaneously strengthening our security of supply, increasing transparency and certainty of future costs, and supporting improved operational performance.

Identifying and Managing Sustainability Risks in the Supply Chain

Inbound supply chain risks are initially identified as part of the analysis and identification of critical suppliers by our Supply Management group. Outbound supply chain risks are identified by the Logistics and Transportation group as well as by the Materials Stewardship working group, which advises and develops active risk management processes to reduce the impacts of our products and to ensure products satisfy or exceed regulatory, environmental and societal needs. Across the whole of our supply chain, Teck articulates its expectations for suppliers and contractors through our [Expectations for Suppliers and Contractors](#) document. For suppliers, these expectations are maintained through an annual supplier sustainability audit that includes critical suppliers. For contractors, these expectations are maintained through auditing value chain risk management systems. As part of the HSE Compliance Audit process, Teck conducts pre-announced on-site visits from time to time to some Tier 1 suppliers such as heavy mobile equipment suppliers and explosives suppliers, including those who also have their facilities on Teck's sites.

Supplier Management Guidelines and Expectations

As a result of our strong assurance and due diligence practices, we have a good level of confidence that our suppliers' and contractors' business conduct is aligned with robust human rights, environmental and labour legislation and regulation. Our Expectations for Suppliers and Contractors document, which is available in both English and Spanish, clearly communicates Teck's expectations for suppliers of goods and contractors performing services for, or on behalf of, Teck. The expectations apply to suppliers and all their parent, subsidiary and affiliated companies, and to their respective employees, contractors and agents. For suppliers in jurisdictions with higher risk, additional vetting is conducted to ensure compliance.

Where we have security contractors, contracts with security service providers at relevant sites require adherence to the Voluntary Principles on Security and Human Rights. Training for contractors providing security services in regions not determined to be low risk is overseen on a regular basis by Teck's Risk Group. Training also occurs if and when security service providers are replaced or restructured at our operations.

Supplier Qualification Due Diligence

The qualification of all suppliers involves obtaining and monitoring evidence that a supplier meets or exceeds our minimum standards as a condition to supplying products and services to Teck. This process screens out the suppliers who are unable or unwilling to meet our requirements as outlined in our expectations.

The following additional screening may occur if:

- The supplier may interact with government officials on our behalf: They must register and maintain an account in good standing with our Anti-Corruption Compliance program through the Dun & Bradstreet online portal.
- The supplier is on-site for more than 30 days at one or more Teck sites: They must register and maintain an account in good standing in our supplier database. Within the database, a comprehensive questionnaire asks about their practices in health and safety, ethics, anti-corruption, human rights and environmental management. This includes questions related to modern slavery risks, such as forced or child labour, in the supplier's operations and supply chain. All new suppliers are required to confirm their compliance with Teck's Expectations for Suppliers and Contractors upon entering into a service agreement, and annually thereafter. Each on-site supplier must also participate in mandatory site-specific orientation and induction training.
- The contract is of significant value: A formal Request for Information and Request for Proposal process is required. Through this process, we evaluate and select suppliers and contractors based on the sustainability risks associated with the goods and services to be provided, their sustainability-related practices, a record of past sustainability performance, and their capacity to perform the work required, consistent with legal requirements and local requirements.
- The contract is selected for manual review: At any time, if higher risk is identified, we may initiate a manual review and vetting process of a supplier to determine whether the supplier meets our standards as a condition to supplying products and services to Teck. This review may include site visits and the use of private investigators, if required. The results of the review determine whether work with the supplier will or will not proceed. Detailed reviews on suppliers and contractors are also conducted through an annual campaign each year to help ensure alignment with Teck's Expectations for Suppliers and Contractors.

Working with Critical Suppliers

Critical suppliers are suppliers of goods or services that, in the event of an interruption in the supply chain, can have a significant impact on Teck's production, costs and/or revenues. Suppliers may also be considered critical due to the nature of their products and the potential risk and impact on health, safety, the environment and the communities in which we operate. Critical suppliers

include inbound suppliers of mobile equipment, fuels, tires, ammonium nitrate, process equipment, consumables such as grinding media, suppliers of related parts and services, and outbound suppliers of rail, marine, trucking, bulk terminal and related distribution services. Within critical suppliers, there are two types: those managed on-site, and those managed at a corporate level.

Ongoing Monitoring and Assessment

We conduct ongoing monitoring and assessment of all our suppliers. If an issue is identified during the assessment, work is stopped, an investigation is conducted, and a corrective action plan is developed in collaboration with the supplier. If the plan is implemented to our requirements, work with the supplier will resume. If the plan does not meet our requirements, further work with the supplier to correct the finding will be conducted or the contract with the supplier may be terminated.

Measuring Supply Chain Risk Management Performance

Teck provides response mechanisms at every operation. We measure the risk management performance of our critical suppliers by setting and tracking performance metrics in contracts. For example, all contracts with critical suppliers have safety performance indicators, and some have environmental indicators related to reducing or minimizing impacts based on the nature of the product or service provided. We use a supply chain risk management platform to monitor suppliers and to verify compliance with Teck's policies directly and indirectly. Through the platform, we collect data on environmental, social and governance (ESG) performance related to modern slavery, climate impact and diversity and inclusion, among other topics; this platform also supports enhanced supplier screening. In addition to measuring supplier-specific performance indicators, we measure and report on the following in our annual Sustainability Reports:

1. Company-wide procurement from local suppliers
2. Company-wide procurement from Indigenous suppliers
3. Contractor health and safety

Management related to our Downstream Customers

Engaging with our Customers

In recent years, we have seen an increase in requests for information from downstream customers to better understand the sustainability of their supply chain. In response, we have actively engaged with downstream customers to respond to their questions and expectations. Requests for information from our customers are largely driven by their own commitment to sustainability, their regulatory environment and their evaluation of risks, and in response to growing consumer concerns and expectations.

Managing Product Impacts through Materials Stewardship

Materials stewardship at Teck is a risk management process to minimize the impact of our products throughout their life cycle on employees, communities and the environment, and to ensure our products satisfy or exceed regulatory and societal needs. Our material stewardship activities include:

- Understanding the actual or potential risks and impacts of our products
- Reviewing new product applications and making recommendations related to approvals
- Managing labelling and packaging requirements
- Monitoring product regulations and technical, transportation and legal issues
- Establishing and evaluating policies and procedures related to materials stewardship

All Teck products are listed on a Master Materials List that is owned and managed by the Materials Stewardship Committee (MSC). For products to be added to the list, a detailed application needs to be submitted; products are assessed on product use and life cycle. This assessment includes customer assessments and legal jurisdiction reviews, and considers logistics and form of transportation, hazardous materials and emergency response, contracts and financial rate of return.

Customer assessments are also commissioned and conducted to help ensure that products are handled safely by smelters, refineries and other end users. The assessments allow us to uphold business ethics, regulatory requirements, sustainable management practices, and external expectations.

We draw on ecotoxicity expertise developed by various commodity associations and other experts to bring sound science into our management approaches and decisions. Our materials stewardship program is also actively engaged with collective industry efforts, including those of the ICMM, towards continuously improving materials stewardship practices.

We report on our performance against indicators related to supply chain management on an annual basis in our [Sustainability Report](#).

Assurance Related to Supply Chain Management

Type	Organization	Items Reviewed
External	International Council on Mining and Metals: Sustainability Report Assurance and Performance Expectations	<ul style="list-style-type: none"> • Principle 2: Decision Making Integrate sustainable development in corporate strategy and decision-making processes. (Performance Expectation 2.2) • Principle 4: Risk Management Implement effective risk-management strategies and systems based on sound science and which account for stakeholder perceptions of risks. (Performance Expectation 4.2)
External	Mining Association of Canada: Towards Sustainable Mining	TSM Responsible Sourcing Alignment Supplement: <ul style="list-style-type: none"> • Criteria 9: Supply Chain • Criteria 11: Organisation for Economic Co-operation and Development
External	The Copper Mark	<ul style="list-style-type: none"> • Issue area 31: Due diligence in mineral supply chain

Managing Feedback

Teck provides response mechanisms at every operation and project and in every exploration region to specifically ensure that those who want to provide feedback on our business practices—whether it’s a comment, question, concern, complaint or compliment—can do so easily and, if they wish, anonymously. See [Our Approach to Relationships with Communities](#) for more details on how we manage community feedback and grievances.

Doing What’s Right is our program designed to maintain an ethical and safe workplace, and uphold the moral and ethical principles within our Code of Ethics. It also specifies the basic norms and behaviours for those conducting business on our behalf. Our *Doing What’s Right* program is supported by additional ethics-related policies and procedures. Our employees, contractors and suppliers are given an opportunity to report any violations, or potential violations, of our Code of Ethics through our *Doing What’s Right* program, which includes an anonymous and confidential whistle-blower hotline and web portal that are managed by a third party. See [Our Approach to Business Conduct](#) for more details on this program.

Assurance Related to Value Chain Management

Teck takes an effective, efficient, risk-focused and integrated approach to assurance activities, which ensures internal controls are appropriately designed and operating effectively. These assurance activities include:

- Risk assessments and control verification at sites and in business units
- Sustainability internal audits and mid-term effectiveness reviews conducted at sites by Teck’s Sustainability Assurance team
- Corporate annual internal audits conducted by Teck’s Assurance and Advisory team
- External assurance by independent auditors for relevant regulatory and voluntary membership requirements

Following each of these processes, applicable management teams use the results to inform future actions and Teck’s five-year planning process.