

# Business Ethics



## What is in this Topic?

Business ethics and anti-corruption practices, transparency in payments to governments, and public policy practices.

## Performance Highlights

# 100%

of non-union, non-hourly employees completed Code of Ethics certification through a web-based compliance and ethics training program to refresh and enhance awareness of the Code of Ethics, including issues such as insider trading, conflicts of interest and harassment.

## Learn More

[Extractive Industries Transparency Initiative](#)



## Why was Business Ethics a Material Topic in 2015?

Global Context: Strong business ethics are required to prevent corruption, which can result in resource misallocation, lower employment and exacerbated poverty.<sup>4</sup> Domestic and international laws have been established to promote stronger business ethics and increase transparency of payments in an effort to fight bribery and corruption. There is also increasing pressure for, and regulation requiring, greater transparency around how companies engage, lobby or influence governments.

## Industry Context

As a global industry that operates in a wide range of jurisdictions, business ethics and anti-corruption is a major focus for the mining industry. The importance of business ethics is reflected in the International Council on Mining and Metals (ICMM) 10 Principles. ICMM Principle 1 is to “implement and maintain ethical business practices” and states that companies must implement policies and practices that seek to prevent bribery and corruption. At the same time, anti-corruption regulation continues to broaden in scope and depth in major jurisdictions around the world including Canada with the emergence of the *Extractive Sector Transparency Measures Act*. All ICMM member companies also support the Extractive Industries Transparency Initiative (EITI), which is a voluntary global initiative that promotes transparency in payments to government and revenues for extractive industries.

Brought into force in 2015 by the Canadian government, the *Extractive Sector Transparency Measures Act* requires businesses involved in the exploration or extraction of oil, gas or minerals to publicly report each year on specific types of payments made to all levels of government, in Canada and abroad. Payment categories are: taxes, royalties, fees, production entitlements, bonuses, dividends, and infrastructure improvement payments.

## Teck Context

Teck operates primarily in relatively low-risk jurisdictions that are characterized by stable political and economic conditions and robust legal systems. We also sell our products in jurisdictions around the world that have varying degrees of political and social development. We focus on being a collaborative, solutions-based partner with governments in the jurisdictions we work in and regularly engage with government on public policy initiatives primarily focused on maintaining and enhancing the competitiveness of our industry.

The primary countries we operate in (Canada, United States and Chile) have well-established anti-corruption laws. In addition to the anti-corruption laws in place in the countries where we operate, Teck has comprehensive management systems in place guided by our Code of Ethics that are designed to ensure Teck upholds high moral and ethical principles in everything we do. For more detail about the governance and development standards in our countries of operation, please see [the business ethics section of www.teck.com](#).

## How Does Teck Manage Business Ethics?

We conduct our business in an honest and ethical manner. We expect our employees to deal with everyone in a fair and open manner and to conform with the spirit and intent, as well as the technical requirements, of all contracts that we enter into as well as with all laws, regulations and rules that govern us. Our approach to business ethics is guided by our Code of Ethics, which is implemented through our *Doing What's Right* program, supported by our Anti-Corruption Policy and practices, and has provisions for conflicts of interest. We maintain and implement a tax policy and disclose our engagement in public policy.

### Doing What's Right Program

*Doing What's Right*, our program designed to maintain an ethical workplace, is overseen by our Senior Vice President, Commercial and Legal Affairs. To assist employees in this regard, we have a Code of Ethics available in English, Spanish, Chinese and Turkish for our employees and contractors located at our operations, sites and offices worldwide. This code affirms Teck's commitment to uphold high moral and ethical principles and 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, including:

- Competition and Anti-Trust Law Compliance Policy
- Anti-Corruption Compliance Policy and Manual
- Human Rights Policy
- Employee Trading Policy
- Employee Concerns Disclosure Program
- Corporate Disclosure Policy

All non-union, non-hourly employees are required annually to certify compliance with our Code of Ethics and to report any potential infractions. Biannually, these employees undergo a web-based compliance and ethics training program to refresh and enhance awareness of the Code of Ethics, including issues such as insider trading, conflicts of interest and harassment.

Our employees are required to report any violations, or potential violations, of our Code of Ethics through our *Doing What's Right* program, which includes a whistle-

blower hotline and web portal that are managed by a third party. The hotline and portal are available 24 hours a day, seven days a week, in all jurisdictions in which we have employees, to provide a confidential and secure means for our employees to report concerns about conduct that may be contrary to our values and standards. We do not tolerate any form of retaliation against employees raising concerns. All allegations of harassment or intimidation by others as a result of contacting the hotline/web portal are investigated and, if required, appropriate disciplinary action is taken, which can include dismissal.

### Anti-Corruption

We engage in and support the work being done to fight corruption by supporting international frameworks such as the United Nations Global Compact (UNGC) and the Extractive Industries Transparency Initiative (EITI). We participate in the EITI through our ICMM membership; more information can be found in [the Sustainability Governance section of www.teck.com](#).

Our Code of Ethics requires that we conduct global business in a moral and ethical manner, and that employees comply with all applicable laws. Under our anti-corruption compliance policy, available in English and Spanish with additional overviews available in Chinese and Turkish, payments, charitable donations, travel expenses, gifts and entertainment may not be made to government officials to assist us in obtaining or retaining business, nor can employees provide payments, gifts or entertainment that are prohibited by applicable country or local laws.

### Our Targets and Commitments

We are committed to upholding high moral and ethical principles as affirmed in our [Code of Ethics](#). While Teck's business practices must be consistent with the business and social practices of the communities in which we operate, we believe that honesty is the essential standard of integrity in any locale. Thus, though local customs may vary, Teck's activities are based on honesty, integrity and respect.

## How Does Teck Manage Business Ethics?

The following high-risk factors are considered as part of our anti-corruption compliance program, along with a number of other medium- and low-risk activities:

- Work in high-risk countries
- Use of independent advisors
- Third-party due diligence
- Sales to state-owned enterprises

All charitable donations, sponsorships and community investments must comply with Teck's Anti-Corruption Policy and follow Teck's charitable donations and community investment guidelines, which prohibit donations that would improperly benefit a government official. Compliance with the Anti-Corruption Policy is subject to periodic review by internal audit.

Our Indigenous Participation Funding Guidelines provide guidance on payments made to Indigenous Peoples for participating in Teck-related activities. It is not illegal for a company to provide these types of payments to Indigenous Peoples so long as (i) the provision of the payments is not made corruptly to assist the Company in obtaining or retaining business, and (ii) the provision of the payments is not prohibited by the applicable country or local laws.

We provide anti-corruption training to employees who may be exposed to corruption risks due to the nature of their work. For example, employees who work with government officials or who could potentially have contact with government officials are required to complete an anti-corruption training program. Employee anti-corruption training is conducted at least every two years. Third-party service providers, agents and consultants who represent Teck to government officials are asked to complete our Third-Party Anti-Corruption questionnaire and, in some instances, to complete our training.

### **Third-Party Due Diligence Program**

In 2014, Teck began to implement its third-party due diligence program under the Company's Anti-Corruption Policy. Under the Policy, consultants, agents or intermediaries who have contact with, deal with, or do business with a

government official on behalf of Teck must undergo sufficient due diligence to enable Teck to conclude with reasonable assurance that the service providers understand and will fully abide by applicable Anti-Corruption Laws and this Policy. The program was designed to only include service providers who present the highest risk to Teck of a potential corruption violation. Under Teck's risk analysis, service providers who have contact with or have the potential to have contact with government officials on Teck's behalf should be included in Teck's due diligence program.

In 2015, there were 584 service providers in the third-party due diligence system, which includes 511 approved service providers, 22 pending registration, four pending approval, five pending screening and 42 in a declined status — we do not do business with those in a declined status. Of 584 service providers, 71 completed additional anti-corruption training as required.

### **Conflicts of Interest**

Our Code of Ethics contains provisions regarding conflicts of interests for employees. As a Canadian company, we are subject to the *Canada Business Corporations Act*. As such, directors of the Board are required to disclose a material interest in any transaction or opportunity that the company is considering. To ensure the exercise of independent judgment, directors who have disclosed such an interest are prohibited from participating in the Board discussion or voting on the transaction.

### **Transparency and Tax Policy**

A growing number of companies, including Teck, have joined the Extractive Industries Transparency Initiative (EITI), which is a voluntary global initiative that promotes transparency in payments to government and revenues for extractive industries. Participants currently include "compliant" and "candidate" countries along with supporting governments. There are currently over 90 supporting extractive companies who participate. The process requires multi-stakeholder participation

including companies, governments and other COI participation. Requirements for extractive sector companies to report on payments to governments have been introduced in Canada, and the development of equivalent requirements in the United States continues. In the Economic Performance and Contributions section of this report (page 23) we disclose tax payments in the primary countries where we operate.

Recently, there has been change in international tax rules and regulations to prevent aggressive tax avoidance. There is also increasing concern regarding the use of “tax havens” by multinational companies. We have a limited presence in offshore financial centres, including a financing affiliate that finances operations outside of Canada and an insurance affiliate that insures our worldwide mining operations. Our activities in these jurisdictions are fully disclosed to all relevant tax authorities in accordance with applicable law. We do not conduct sales activities through these jurisdictions, and the gross revenue of our affiliates in these jurisdictions constitutes less than 1% of Teck’s consolidated gross revenue.

Our Tax Policy guides our approach in all jurisdictions where we operate and outlines practices to ensure we are compliant, transparent, cooperative and ethical in all tax matters. We respond openly and fully on a timely basis to all government requests for information pertaining to taxes in the course of their audits. Our goal is to support the growth and development of our business in a way that reflects our legal obligations as well as our commitments to our people, our shareholders and the communities in which we operate.

## Public Policy

Teck focuses on being a collaborative, solutions-based partner with governments in the jurisdictions we work in. We take a systematic approach to monitoring and identifying political, legislative and regulatory developments in order to identify public policy opportunities and risks in areas pertaining to our business.

Our Government Affairs team guides Teck’s approach to public policy and engages government directly through a variety of means, including written advocacy letters and submissions, roundtable meetings, and one-on-one meetings. Teck also engages with government indirectly through our business and industry associations. We report on our advocacy efforts in an open and transparent manner, conforming to all lobbying laws, including publicly reporting our activities via applicable lobbyist registries in jurisdictions where we undertake advocacy efforts. We regularly update corporate and site-based employees who interact with governments on our compliance requirements.

Teck regularly evaluates the effectiveness of our public policy engagement by identifying where our advocacy has resulted in outcomes that support our business objectives. For example, successful outcomes include but are not limited to results that:

- Support our sustainability objectives
- Achieve cost reductions or mitigate additional costs
- Streamline processes and reduce administrative burden

---

## What was Our Performance in Business Ethics in 2015?

---

We report on alleged violations against our Code of Ethics, public policy initiatives and political contributions in the section below.

### **Doing What's Right Program**

All non-union, non-hourly employees completed Code of Ethics certification through a web-based compliance and ethics training program to refresh and enhance awareness of the Code of Ethics, including issues such as insider trading, conflicts of interest and harassment. We received 20 reports of alleged violations to our Code of Ethics in 2015. The majority of these (30%) related to employee relations issues, followed by a range of other matters, including allegations of time theft (employee abuse of paid company time) and substance abuse. By the end of 2015, all 20 reports were closed following investigation, of which eight resulted in management action, such as discipline or amendments to practices or policies. No criminal cases regarding bribery were brought against Teck or any of its affiliates.

### **Anti-Corruption**

Annually, our Internal Audit department evaluates the effectiveness of our system of internal control over financial reporting (ICFR). This includes a consideration of the company's vulnerability to fraud, as well as an evaluation of the design and operating effectiveness of those internal controls intended to prevent and/or detect fraudulent activities at a significant level. No deficiencies in ICFR were identified in 2015. The Internal Audit department also reports to the Audit Committee on a quarterly basis on any frauds identified, other than those reported through the whistle-blower hotline; no such frauds were identified during 2015. Furthermore, all operations and business activities are assessed for risks related to corruption, and internal audits are conducted on a periodic basis to assess compliance with the Anti-Corruption Policy.

### **Tax and Other Payments to Government**

We disclosed \$255 million in tax royalties and other payments to government in 2015.

### **Significant Tax Issues — Responding to Severe Tax Hike in Alaska**

For over 25 years, Teck's Red Dog Operations has provided annual contributions to the Northwest Arctic Borough (NAB) — a local municipality — under a negotiated Payment in Lieu of Taxes (PILT) agreement. However, as of January 1, 2016, in place of a negotiated PILT, the NAB has instead levied a substantial severance tax. The new tax falls solely on Teck Red Dog Operations and, if legal, would increase annual payments to the municipality from approximately US\$11.5 million under the prior agreement to an estimated US\$30–40 million, depending on zinc prices. This would be over seven times greater than the next-highest municipal tax paid by a comparable mine in Alaska.

Teck Alaska has filed a complaint in the Superior Court for the State of Alaska seeking to enjoin the enforcement of a new severance tax on the grounds that the municipality lacks the authority to tax interstate commerce, that the tax violates Teck Alaska's equal protection and due process rights, and that the imposition of the tax breaches a prior negotiated agreement between Teck Alaska and the municipality. That complaint is currently before the courts.

Filing a legal complaint was not an action we wanted to take. It is our hope that the NAB will instead agree to enter into good faith negotiations to collaboratively establish a new, reasonable PILT agreement that is supportive of both the region and the long-term sustainability of Red Dog Operations.



## Public Policy Initiatives

In 2015, we continued to support the development and enhancement of regulatory frameworks that are science-based, well-designed and contribute effectively to environmental protection while supporting sustainable economic development. Regulatory issues we conducted advocacy on in 2015 included:

- **Providing input into the Canadian government's *Metal Mining Effluent Regulations (MMER) Review and supporting the development of a steelmaking coal mining regulation under Canada's *Fisheries Act****: We engaged on these matters through 2015 and will continue to do so in 2016. We view the conclusion of this work as vital to the future of Canada's mining industry and as a significant opportunity for the federal government to both improve regulatory certainty and strengthen environmental protection. For Teck, this is important to the future of our steelmaking coal mines in Canada. The development of a coal mining regulation will also support our ongoing efforts as part of the implementation of our Elk Valley Water Quality Plan.
- **Ensuring there is adequate resourcing, capacity, and cross-ministry and jurisdictional coordination mechanisms to facilitate the effective and efficient implementation of processes, legislation and regulation related to project reviews:** We continuously seek enhancements to permitting and consultation frameworks across jurisdictions where we have operations and projects, including Canada and Chile. In 2015, outcomes included increased funding by the B.C. government for the Ministry of Energy and Mines to establish a Major Mines Permitting Office.
- **Providing input into the Chilean government's 'Pro-Investment' committee, which includes representation from the Ministries of Mines, Environment, Finance and Economics:** As a member of Consejo Minero and Sociedad Nacional de Minería, (SONAMI), Teck participated in working groups on regulatory issues, gender equity, labour and environment.

In 2015, we continued to advocate for government actions that support the competitiveness of the resource sector in jurisdictions where we operate in response to sustained challenging market conditions. Our efforts included:

- **Pursuing Provincial Sales Tax modernization and an electricity rate deferral program in British Columbia:** We welcomed the government of B.C.'s announcement in early 2016 that it will allow mining companies to temporarily defer their electricity payments as a means to support the mining industry during the current economic downturn, and it will conduct a review of sales tax.
- **Advocating for climate change policy that supports global, national and regional efforts to demonstrate leadership on climate change policy and innovation while also supporting efforts to ensure carbon pricing and policy mechanisms enable fair competition for trade-exposed sectors:** Teck is a Paris Pledge signatory and globally, we support the development of effective and efficient carbon pricing regimes and believe such regimes are important tools needed to achieve the goals of the 2015 Paris Agreement. We define an effective price on carbon as one that reduces emissions and ensures that all emitters and all jurisdictions are contributing to the solution. We define an efficient price on carbon as one that facilitates the greatest amount of real reductions at the lowest cost. In 2015, we were pleased with the Canadian government's efforts to demonstrate global leadership on climate change policy and innovation, along with the government of Alberta's commitment to include measures to maintain the competitiveness of energy-intensive trade-exposed industries (EITEIs) in the new carbon pricing regime. In British Columbia, we supported the provincially appointed Climate Leadership Team's recommendation to address EITEIs in the B.C. carbon tax system. As the Canadian government continues to work with the provinces and territories on a national climate change framework in 2016, we will continue to advocate for carbon pricing regimes that enshrine the principles of efficiency and effectiveness.

# What was Our Performance in Business Ethics in 2015?

## Outlook for Business Ethics

Teck remains committed to upholding high moral and ethical principles as affirmed in our Code of Ethics. In 2016, we will continue to implement our *Doing What's Right* and anti-corruption programs and engage in public policy initiatives. Furthermore, we will continue to ensure we are compliant, transparent, cooperative and ethical in all tax matters and meet reporting requirements under the Canadian *Extractive Sector Transparency Measures Act*.

Likewise, in other jurisdictions, we continue to advocate for climate change policies and carbon pricing regimes that support the transition to a lower carbon economy while ensuring a level playing field for EITEIs, such as the mining sector. For more details about carbon policies, see the Energy and Climate Change material topic on page 109.

· **Participating in the public-private mining working groups in the Tarapacá and Coquimbo regions of Chile:**

To support ongoing activities at our Quebrada Blanca and Carmen de Andacollo operations, we actively participated in these working groups to ensure key issues such as water scarcity and economic development are addressed. We will continue this work in 2016 with a focus on participating in a "Valor Minero" or "Value of Mining" working group in the Coquimbo region near Carmen de Andacollo to support mining investment in the region.

· **Advocating for changes to the *Canada Transportation Act (CTA)* that support a cost-effective and reliable supply chain and economic growth across all sectors:**

In 2015, Teck participated in the CTA Review. As a major Canadian transportation stakeholder and the country's largest rail shipper, Teck made recommendations to the CTA Review Panel including our desire for the introduction of legislative measures that will enhance the commercial relationship between shippers and railways. The Review Panel's report was released in early 2016 and we expect to engage with government regarding its conclusions.

· **Encouraging Canada to meaningfully enhance diplomatic and economic ties with key markets, with a focus on China:**

As a major exporter to China, in 2015, we continued to advocate for Canada to advance an economic dialogue with China in a timely fashion.

· **Supporting the development of a competitive royalty regime in Alberta:**

We welcomed the outcome of the Government of Alberta's 2015 royalty review, which took into account overall industry competitiveness.

In 2015, we continued to advocate for government support for programs for Indigenous Peoples in the areas of human resources, skills development and training. For example, we continue to support the creation of a new iteration of the BC Aboriginal Mine Training Association with the Mining Association of British Columbia and Association of Mineral Exploration in British Columbia.

Indigenous engagement and programs have been a key focus of our activities in Chile in 2015. For example, we participated with other mining companies in the Indigenous Leading Council of the Indigenous development area of the Jiwasa Oraje peoples in the Tarapacá region. In 2016, Teck will serve as the primary representative from the mining sector.

## Political Contributions

From time to time, we make political contributions in the Canadian provinces in which we operate. All contributions are made in accordance with applicable laws. We do not make political contributions outside of Canada. In 2015, our contributions totalled \$43,380:

Political group	Donation amount
BC Liberal Party	\$ 37,180
BC New Democratic Party	\$ 1,200
Alberta Progressive Conservative Party	\$ 5,000