

Economic Performance and Contributions

Why was Economic Performance and Contributions a Material Topic in 2015?

Global Context: The ongoing slowdown in growth in China and emerging markets in 2015 had a major impact on the global economy. As the world’s second-largest economy and the largest consumer of most commodities, slowing growth in China has created significant drag on the global economy and regional economies around the world. Commodities were particularly hard hit as prices fell below levels experienced in 2008–2009. This downturn in commodity prices has resulted in declining investment and declining revenues to government in resource-dependent regions and economies around the world. In response, governments are increasingly looking at measures to stimulate growth and manage budget shortfalls.

Industry Context

The decline in commodity prices due to the slowdown in China and emerging markets coupled with oversupply made 2015 one of the most economically challenging years on record for the global mining industry. Margins of return for the industry were by far the lowest they have been in 30 years. Across the industry, mining companies focus on measures to maintain economic viability, including asset sales, project cancellations and deferrals, closures and workforce reductions. The commodity price downturn also had a significant impact on mining-dependent communities and countries as jobs were lost and tax revenues fell. Communities were also increasingly concerned about the cyclical nature of the industry and looked to governments and companies to take measures to mitigate the impacts of down cycles. As a result, many mining companies have increasingly focused on engagement throughout the mining life cycle in order to determine and demonstrate long-term mutual benefits.

Teck Context

In line with the rest of the industry, the downturn in commodity markets resulted in decreased revenues and lower profits for Teck. In response, we continued to implement a variety of cost reduction measures, which included a global workforce reduction of 1,000 positions by the end of 2016. In addition, Teck announced in 2015 the suspension of our Coal Mountain Phase 2 project, which will result in the existing Coal Mountain Operation closing in 2017. In the face of impacts on local employment, investment and procurement, we have increased engagement with local communities in order to be transparent about the challenges we are facing, the steps we are taking to address them and the potential impacts they may have on the community. Through this engagement, we work to maintain trust, mitigate impacts where possible and create mutual benefits for the long term.



What is in this Topic?

Economic performance, indirect economic impacts, local hiring and procurement practices, community investment.

Performance Highlights

Revenue of

\$8.3 billion

and gross profit before depreciation of \$2.6 billion

Cash flow from operations of

\$1.95 billion

Over

\$6.7 billion

of liquidity at the end of 2015; cash balance of \$1.9 billion and a US\$3.0 billion unused line of credit

\$16.7 million

in community investments

Learn More

[Mine 2015: The gloves are off — PwC](#)



How Does Teck Manage Economic Performance and Contributions?

Our Targets and Commitments

We are committed to providing long-term economic opportunities through local hiring and procurement coupled with strategic community investments to encourage lasting positive benefits for the communities in which we operate.

Our annual community investment budget is 1% of average annual earnings before taxes during the preceding five-year period. With a budget tied to earnings, our success as a company directly impacts our ability to invest in the communities where we operate.

Teck works to generate value from the extraction, processing and sale of mineral, coal and metal resources. This requires our operations to be economically viable across a range of commodity prices. We achieve this by focusing on maximizing the cost-efficiency of our operations and ensuring we receive full value for our products. This in turn ensures the longer-term sustainability of our operations and their economic contributions to communities including employment, procurement, capital investment, revenues to governments and Indigenous Peoples, and dividends to shareholders.

We also recognize that our ability to operate depends on the support of local communities and that economic development needs to be managed responsibly so that it does not lead to dependence. As such, we focus on facilitating long-term economic opportunities through local hiring and procurement coupled with strategic community investments to encourage lasting positive benefits for the communities in which we operate.

Approach to Local Hiring and Procurement

Promoting long-term employability and economic resilience will help support the sustainability of communities throughout the mining life cycle and ensure that we leave a positive legacy. Sourcing local goods and services and hiring people locally helps gain community support for our activities, enhances our local knowledge, builds capacity, and mitigates business and social risks. Reflecting this, one of our 2015 goals under our sustainability strategy was for operations to enhance local employment and procurement opportunities.

Local hiring is a priority at Teck operations. In order to ensure that the communities most directly affected by our activities benefit through their interactions with us, we have been working to develop a consistent approach to the definition of “local” at each operation.

As part of defining local, we determined the need to identify geographic and time-scale criteria. In order to determine what constitutes the local geographic area of each operation, we completed “Area of Influence” exercises at all of our operations to identify those communities and areas that are directly influenced by our activities. This improved the clarity of

the geographic criteria of what constitutes the local area. Next, we considered how long a person needs to live in an area before they can reasonably be considered local. This is clearly a highly subjective question and there was no established industry norm. Through our work, we established that if a person asserts that their primary residence is within the direct area of influence at the time they apply to work at our operations, then the applicant will be considered local. Human Resources personnel at our operations have started using this information in their assessment of applications so that those who fall under our direct area of influence are identified as local in the hiring process. To ensure that local hires have the skills necessary for advancement, we focus on access to training opportunities at or near Teck locations. In 2016, our Communities and Human Resources teams will work together to better define the weighting of the local criterion during the hiring process.

For local procurement, we consider each operation’s definition of local, and we work to weight this positive criterion with other criteria such as the ability to meet our needs, health and safety performance, and competitiveness. Whenever possible, sites look for opportunities to utilize local suppliers, providing that they meet our standards and provide cost-competitive goods and services. At some of our sites, local suppliers also include those who self-identify as Indigenous Peoples.

Approach to Community Investment

Community investment is a key pillar of our company’s overall commitment to communities where we live and work. We contribute to community organizations to help support community development

priorities and to enhance specific community objectives. Community investments also help build and maintain our social licence to operate, manage social risks, enhance our reputation and improve employee recruitment and retention.

Our community investment program is guided by best practices from the International Finance Corporation, the London Benchmarking Group and Imagine Canada. Our annual community investment target is 1% of average annual earnings before taxes during the preceding five-year period; with our target tied to earnings, our success as a company directly impacts our ability to invest in the communities where we operate.

In particular, our community investments are focused on:

1. **Health** — programs and initiatives that improve the status of health in a community, including child and maternal health, access to health services and reductions in the prevalence of disease.
2. **Education** — programs and initiatives designed to enhance access to educational resources and training opportunities, including early childhood education, primary and secondary schooling, lifelong learning and institutions of technical training and higher education, with particular emphasis on programs of relevance to the mining, metals and energy industries.
3. **Environment** — programs and initiatives designed to support and enhance environments, with particular focus on water, biodiversity (including wetlands protection and enhancement of fish and wildlife habitats, flora and fauna) and climate.
4. **Community** — programs and initiatives designed to enhance social and economic sustainability and the capacity to earn a living or improve livelihoods, including support for business development, agriculture, subsistence activities, employment initiatives, food security and vulnerable groups. This category also includes support of relevant community and Indigenous organizations focused on social and community programs, and sponsorship of athletic and recreational activities and events and teams where the main goal of the investment is to promote community spirit and wellness.
5. **Other** — from time to time, we support initiatives not covered in our four primary categories.

Our approach to community investment is based on the knowledge we gain through the following activities:

- Collecting social baseline information and understanding our area of influence
- Mapping, prioritizing and directly engaging with COIs
- Understanding social impacts and the needs of particular communities
- Identifying potential risks and opportunities
- Developing a strategic engagement plan linked to social risks in order to effectively engage with COIs
- Assessing and incorporating engagement and social baseline information into our community investment plan

Our internal community investment policy guides how we align business drivers with community priorities, and guides our approach to providing long-term community benefits. Our community investment program is administered by the Corporate Community Investment Committee, which consists of the Chief Financial Officer, the Chief Operating Officer, the Senior Vice President, Sustainability and External Affairs and the Vice President, Community and Government Relations. Sites and Project Teams develop and submit proposed community investment budgets to the Committee for assessment. The Committee considers several factors, such as the social needs of the community in question, the outcome of social/risk assessments and the availability of other funding partners when evaluating and ultimately approving budgets.

The geographic distribution of our contributions can be categorized at a local, regional, provincial/state, country or global level. We understand that building and maintaining our community relationships is essential, not only to our success, but also to the sustainable future of communities. That is why much of the focus of our community investment program is designed to support the many communities where we live and work.

What was Our Performance in Economic Contributions in 2015?

Update From Our Subject Matter Experts

“As our community investment budget is tied to earnings, our community investment levels been reduced in line with our declining revenues. However, we continue to work to ensure that the organizations we support are well prepared for this transition and that, where possible, they have diverse funding streams.”

Mark Edwards,
Vice President, Community and Government Relations

We contribute to the wealth and prosperity of the countries, regions and communities where we operate by generating economic value that includes tax and royalty payments, local hiring and procurement and community investments. We work to improve efficiency of our activities and reduce our operating costs to maximize economic value generated.

Economic Value Generated and Distributed in 2015

In 2015, we generated approximately \$8.3 billion in revenue and distributed approximately \$6.9 billion in economic value distributed as defined by the Global Reporting Initiative (outlined in the table below). We paid dividends at an annualized rate of \$0.20 per share and paid \$255 million in income and resource taxes to various levels of government, creating benefits where we operate. Additionally, we contributed \$16.7 million to charitable organizations and projects worldwide through our community investment program in support of community

development, environmental protection, human health and education.

In 2015, we incurred a loss attributable to shareholders of \$2.5 billion, or \$4.29 per share. This compares with a profit of \$362 million or \$0.63 per share in 2014, and \$961 million or \$1.66 per share in 2013. The reductions are due mainly to the \$2.7 billion of after-tax impairment charges taken in 2015 and declining commodity prices, partially offset by the effect of the strengthening U.S. dollar and our cost reduction initiatives. See our 2015 Annual Report for more detailed information on our financial performance.

Table 2: **Economic Value Generated and Distributed (Dollars in millions)**

	USA	Canada	Chile	Peru	Other	2015 Total	2014 Total	2013 Total
Economic Value Generated								
Revenues	\$ 1,322	\$ 5,572	\$ 730	\$ 635	–	\$ 8,259	\$ 8,599	\$ 9,382
Economic Value Distributed								
Operating Costs ¹	\$ 532	\$ 3,203	\$ 548	\$ 175	\$ 12	\$ 4,470	\$ 4,565	\$ 4,612
Wages and Benefits	\$ 172	\$ 1,021	\$ 121	\$ 56	\$ 5	\$ 1,375	\$ 1,362	\$ 1,344
Payments to Providers of Capital	–	\$ 818	–	–	–	\$ 818	\$ 899	\$ 876
Income and Resource Taxes paid ²	\$ 106	\$ 14	\$ 82	\$ 53	–	\$ 255	\$ 406	\$ 425
Community Investments	\$ 1.3	\$ 8.6	\$ 4.8	–	\$ 2	\$ 16.7	\$ 20	\$ 22
	\$ 811	\$ 5,065	\$ 756	\$ 284	\$ 19	\$ 6,935	\$ 7,252	\$ 7,279
Economic Value Retained	\$ 511	\$ 507	(\$26)	\$ 351	(\$19)	\$ 1,324	\$ 1,347	\$ 2,103

(1) Per income statement (fiscal year). Operating costs include operating expenses at our mining and processing operations and our general and administration, exploration, and research and development expenses. Employee wages and benefits are not included in the total but are specified separately.

(2) This table reflects income and resource taxes paid. Other taxes (property, payroll, royalty, etc.) are not included, but some taxes may be reflected in operating costs. The amount is found in our Annual Report. Breaking this table down to reflect all components is beyond the scope of this report.

Case Study

Improving Economic Performance: Reducing Haul Truck Cycle Times at Elkview Operations

Improving efficiency is a key part of our efforts to reduce costs and improve the competitiveness of our operations. At our Elkview steelmaking coal operation (EVO) in southeast British Columbia, an opportunity to improve efficiency by reducing haul truck cycle times was identified.

EVO determined that the average haul truck cycle could be reduced. With the total cost to operate each truck at around \$450 per hour, safely reducing cycle times had the potential to have a big impact on operating costs. Two challenges that needed to be resolved were increasing truck speeds in a safe and productive manner and reducing non-productive time (wait time) from the cycle.

Haul truck productivity functions as a system and requires teamwork from a number of people including: shovel operators who load haul trucks; maintenance teams that provide reliable equipment; drilling and blasting teams that provide efficient digging for shovels and assist with maintaining level benches for haul trucks; and haul truck operators themselves.

“As an interconnected system with many inputs, haul truck cycle improvements rely on contributions from everyone in order to be successful,” said Clayton Podrasky, Mine Operations Superintendent, who led the initiative.

Operations, Maintenance and Engineering teams at EVO worked together on a plan, which was developed through ongoing feedback and insights from employees, to improve systems, practices and infrastructure. As part of the strategy, the teams set expectations necessary for improvement and ensured they were focused on measuring the data that drove the highest value in terms of truck productivity.

The major changes to reduce haul truck cycle times included:

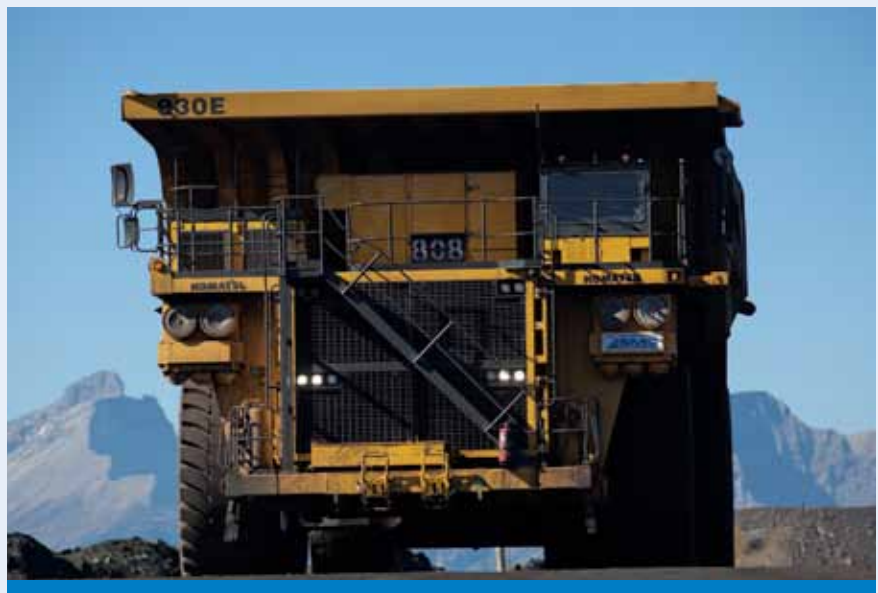
- Improving road and bench floor conditions so speeds could be enhanced
- Focusing on reducing truck queue time to minimize non-productive time
- Working with operators to maximize the assets to their safe design capabilities
- Using Dynamic Dispatch when opportunities existed
- Installing payload systems on shovels to ensure haul trucks were loaded to their rated capacity, but not overloaded, and installing additional lightweight boxes to maximize material payload
- Modifying the dumping procedure to minimize haul truck delays
- Provide ongoing feedback in the form of scorecards
- Listening to the employees and their ideas
- Providing positive recognition for employee efforts

Since the project began in 2013, the results have been dramatic as cycle times have decreased by 20%. This has resulted in over \$63 million in cost reduction and it has also reduced the need for adding additional haul trucks to the fleet. At the same time, safety at the operation continues to improve.

These improvements are the result of teamwork between supervisors and employees. A culture of excellence is being created at Elkview and there is an increased sense of pride among employees involved. Effort continues on this front and there is still work to do; however, teamwork will continue to be the greatest driver of success.

“Haul truck cycle times are a major part of mining activity at site. Finding ways to improve the efficiency of those cycles has created major cost reductions and safely improved productivity. Our supervisors and employees should be proud of their accomplishments.”

Don Sander, General Manager, Elkview Operations



What was Our Performance in Economic Contributions in 2015?

Local Hiring and Procurement in 2015

The table below displays definitions and data that reflect our approach to tracking local employees and local procurement until the end of 2015. The geographic criterion of "local" was broad and place of residence was not solicited during the application process at all operations, but instead may have been solicited after hire. As such, the below figures may be overstated, given that some employees likely moved to the broadly defined local

area as a result of securing employment with Teck and did not live in the local area at the time of application. Increases and decreases in local procurement are influenced primarily by site-level construction and maintenance activity, as well as by the availability of suppliers in the local area. Please refer to the Indigenous Peoples section on page 63 for discussions of our performance regarding sharing the benefits with Indigenous Peoples.

Table 3: **Local Employment and Procurement in 2015**^{1,2}

Operation	Local Employment		% of Senior Management Roles Filled by Locals	% of Spending on Local Suppliers	Definition of Local
	#	%	%	%	
Cardinal River	307	92	42	8	Regional
Carmen de Andacollo	386	57	0	19	Regional
Coal Mountain	195	73	71	48	Regional
Elkview	651	67	96	48	Regional
Fording River	729	69	92	48	Regional
Greenhills	415	70	69	48	Regional
Highland Valley Copper	1,013	94	14	29	Regional
Line Creek	319	67	70	48	Regional
Pend Oreille	163	69	13	12	Regional
Quebrada Blanca	316	52	15	24	Regional
Red Dog	226	68	8	55	State-wide
Trail Operations	1,455	99	90	24	Regional
Overall	6,175	80	48	27	As Above

(1) Operational data is not directly comparable as there are differences in how each operation defines "local" and tracks data.

(2) Senior management are defined by their compensation band.

Community Investment in 2015

We continue to meet our target of donating 1% of our average annual pre-tax earnings during the preceding five-year period and are committed to doing so going forward. Our community investment expenditures in 2015 were \$16.7 million.

With our recent decline in earnings, our total community investment spending has declined and will continue to decline in the future. This has the potential to impact organizations that receive our community investment funds, so we have been communicating early with those organizations to allow them to prepare for and adapt to the change. In addition, we are also working to support these organizations in finding other funding sources and assist in fundraising efforts such as introductions, letter writing and drafting proposals. In this way, we ease dependence on the company while also helping to develop the organization's capacity in a manner that diversifies their funding sources.

Guided by the [London Benchmarking Group](#), we have a community investment reporting framework to ensure that we report our contributions accurately each year. The framework has four categories:

1. Why We Contribute — the motive for contribution, from philanthropic donations to community and infrastructure development to commercially driven engagement.
2. What We Support — the categories of our contributions, such as health and education.
3. How We Contribute — the type of contribution, whether made in cash or in-kind.
4. Where We Contribute — the geographic spread of our contributions.

Within the 'Why we contribute' category, we define **philanthropic investments** as a response to a request from an organization, **community and infrastructure developments** as contributions to programs that enhance the well-being and infrastructure development in a community, and **commercial initiatives** as investments with a direct business benefit through the promotion of our company as well as a benefit to the communities where we live and work.

Figure 4: **Where We Contribute**

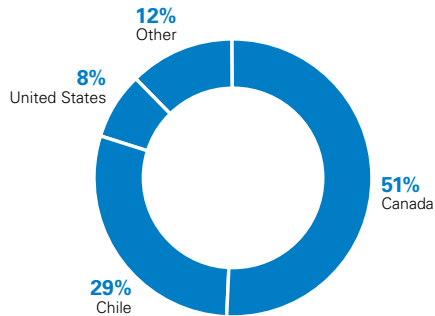


Figure 5: **What We Support**

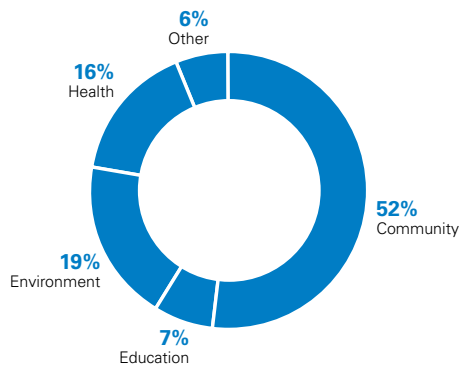
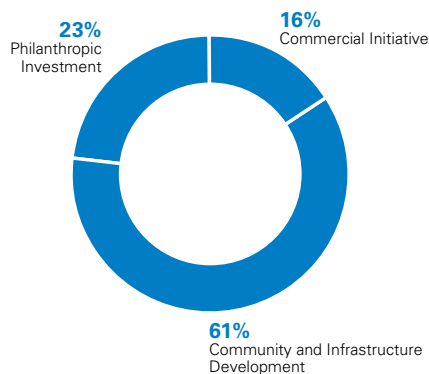


Figure 6: **Why We Contribute**



What was Our Performance in Economic Contributions in 2015?

Snapshot

Planning for Community Investment Fluctuations at Highland Valley Copper Operations with United Way

For more than 25 years, Highland Valley Copper Operations (HVC) in southeast British Columbia has hosted an annual fundraising campaign with the local branch of the United Way. With high levels of participation from employees, this has been an important community investment effort for the site. HVC

works closely with the United Way, with employees serving on United Way community impact councils and the board.

When the community investment budget started to decline in 2013 due to the downturn in the mining industry, HVC hosted a workshop with United Way personnel to understand how a reduction to the campaign would affect them. In 2013, HVC's total campaign (including employees' personal donations and a corporate equivalent

contribution) was funding 27% of the local United Way's annual operating budget, so a decrease in donations from HVC and Teck would have had a big impact on the organization. From 2013 to 2015, HVC worked closely with United Way to manage this decline in corporate contributions, which included clear and consistent communication, and worked with United Way to ensure their key programs continue to be delivered long-term.

Table 4: **Community Investment Types**

Type	2015	2014	2013
Philanthropic Investments	23%	28%	41%
Community and Infrastructure Developments	61%	41%	45%
Commercial Initiatives	16%	31%	14%

Table 5: **Community Investment by Site**^{1,2,3,4}

Operation	2015	2014	2013
Carmen de Andacollo	2,310,000	2,157,000	2,217,000
Coal operations ¹	672,000	1,970,000	1,654,000
Duck Pond	309,000	297,000	468,000
Highland Valley Copper	456,000	579,000	663,000
Pend Oreille	18,000	8,000	36,000
Quebrada Blanca	513,000	623,000	532,000
Red Dog ²	1,284,000	556,000	586,000
Trail Operations	480,000	334,000	370,000
Corporate Offices and Projects ³	10,602,000	12,755,000	15,846,000
Exploration	89,000	69,000	212,000

(1) Steelmaking coal operations include: Cardinal River, Coal Mountain, Elkview, Greenhills, Fording River and Line Creek Operations.

(2) The 2012–2014 Red Dog numbers were recalculated to include investments that Vancouver Head Office made in the Northwest Arctic Borough.

(3) Includes Calgary, Santiago, Spokane, Toronto and Vancouver offices as well as resource development projects.

(4) The numbers represent Teck's portion of ownership only, so some sites do not have their 100% budget represented (Carmen de Andacollo 90%, Highland Valley Copper 97.5%, Quebrada Blanca 76.5%).

The increase in community investment expenditures at Carmen de Andacollo and Red Dog operations over the last three

years is a reflection of recognizing the greater social need in the areas near each of these operations.

Case Study

Supporting Community: Chilean communities rebuilding after floods receive Teck support

In March 2015, flash floods due to heavy rains caused extensive damage in Chile. In Alto del Carmen County, located in the Atacama region's Huasco Province, the floods damaged homes while also significantly impacting the local agriculture industry, an important economic driver in the region.

This area is significant to Teck, as our former Relincho copper project, now known as Project Corridor, a 50/50 joint venture owned by Teck and Goldcorp, is located there. In areas where our employees live and work, we support community development and enhance specific community objectives as part of our community investment commitment.

Our commitment to communities is unwavering, especially in times of significant need. That's why we provided multi-faceted support to help address short-term and long-term priorities for communities in Alto del Carmen County that were impacted by flooding. During and immediately after flooding, we provided construction materials and the use of machinery to protect homes and open critical roadways. We also provided equivalent donations from Teck employees, with overall funds used to purchase immediate living needs including beds and other household items.

We provided long-term support to help rebuild the community. Through extensive local engagement with multiple levels of government, local farming and union organizations as well as community members, it was identified that there were significant impacts on local small-scale farmers whose irrigation systems were damaged due to flooding. Many local farmers were unable to access funds through traditional funding sources in order to repair irrigation systems and begin farming again.

Teck worked with Chile's National Institute for Development of Agriculture and Livestock (INDAP) to develop the Teck-INDAP fund, which provides loans for local farmers to repair irrigation systems that will be repaid once farmers regain financial self-sufficiency.

Teck initially contributed US\$500,000 to the fund and as of March 2016, four farmers have accessed funding. A board consisting of representatives of Teck, the National Irrigation Commission, Atacama Agricultural Seremi, the local farming community and the Governor of the Huasco Province meets regularly to determine qualification for loans. The fund, managed by INDAP, will continue to provide support to small-scale farmers to help enable the region to prosper again.

“Teck supported the community in many ways following the devastating floods, and the Teck-INDAP Fund is helping revitalize small-scale farming in the area, an important industry that many people and families rely on.”

Carolina Jacques, Manager, Community Development



Emerging Risk — Product Substitution

Technological innovation, changing regulations and future fluctuations in commodity prices may result in substitutions of certain commodities. For example, new regulation around fuel efficiency standards has prompted some vehicle manufacturers to use lighter weight materials such as aluminum instead of steel. Increased use of technologies such as 3-D printing could lower demand for certain commodities while increasing demand for others. Changes in battery storage could reduce the demand for lead. Environmental regulations — similar to the European Union's e-waste recycling requirements — could result in an increase in use of recycled metal and mineral products.

Outlook for Economic Performance and Contributions

Persistent low commodity prices are expected to continue to impact Teck's revenues and associated earnings. This in turn will impact funds available for government, employment, local procurement, community investment expenditures and infrastructure projects. Teck will continue to take measures to ensure the long-term viability of our business and work collaboratively with communities of interest to keep them informed of the challenges we are facing and the actions we are taking. Wherever possible, we will continue to work to mitigate impacts and focus on creating mutual long-term benefits.