



Letter from the Chairman

Norman B. Keevil
Chairman of the Board

To the Shareholders

When the retired Governor General of Canada, the Right Honourable Roland Michener, was Chairman of Teck some years ago, he would say he had learned “to speak in governor generalities.” With the balance of this annual report covering your management’s exceptional work in sustainability, societal expectations, safety, production, profits and cost control in challenging times, perhaps as Chairman I may retain the prerogative of speaking more of generalities in this space.

Readers may tire of being reminded that there are two parts to the popular phrase ‘super-cycle’, and that the second half has not been abolished. We are into it now for many commodities, although how deep and for how long is never clear. That said, I do believe we are still into a long-term secular trend of increasing demand for most of our mined products, as people in less developed parts of the world work to achieve their aspirations. It just will never be a straight line up, and the pauses can be difficult, as well as ripe with opportunity.

It is a generally understood observation about the commodities business that it is cyclical. As Professor Lu Feng of Peking University once said: “In a competitive environment, overcapacity is inevitable.” And, to paraphrase the Canadian mining philosopher Ian Telfer: “Our business is like life; it is never as good as it seems, and it’s never as bad as it seems.”

In fact, most businesses are cyclical. In what might be called “The Law of Entrepreneurial Folly,” periodic surpluses have to be considered the norm, with their severity and duration generally reflecting the elasticity or non-elasticity of supply in a sector.

Capital-intensive sectors such as mining may find it harder than some other sectors to make the obvious response to such periods of oversupply, thus prolonging them. At times, we may tend to be our own worst enemies.

In this business we are all guilty, our peers and us, of perverse behaviour at times. Our institutional investors rarely tell us we need to cut back production, instead taking us to task if we aren’t seen to be increasing production of gold, or copper, or coal, or zinc, or whatever it is we produce, every year. We are encouraged to do almost anything to keep it up. Recall that gold producers for years were valued more on the number of ounces they produced than on their profitability, although that does seem to be changing recently. The iron producers may be guilty of the same behaviour today.

Our operations managers, across the industry, have a natural tendency to press continuously to produce more of their stuff every year. They are generally rewarded for that, but it is also instinctive. Who takes great pride in reporting: “I managed to get production down again this year”? Not many. And yet, each such “successful production year” in a downturn exacerbates the problem. Maybe there is a better way?

But if I’m right that we are still into a long-term secular trend of growing demand, these low parts of the cycle can present opportunities as well. The trick in building real value in this business has always been the ability to think and act contra-cyclically, often against the pack, but at the right times and for the right assets.

When at or near the peak and everyone else is acting profligately, the thoughtful observer might think about squirreling something away, to be in position to take full advantage of the next downturn. And at or near the bottom, rather than succumbing to fear, using some of those chestnuts to acquire and build even greater value for the next upturn.

Successful bottom fishing has been done before in this company, leading to our Hemlo gold, Bullmoose coal and Antamina copper-zinc mines. Each arguably transformational property was acquired and/or built in the middle of a financial crisis, because we were prepared, and we were in a financial position to do so. Can we do that again? We must, because we didn't build this business just to be part of the pack.

Teck has never been immune to cycles and cannot be, but we have and will aim to build value for our owners consistently over the medium to long term, irrespective of the inevitable fluctuations along the way. We will never accept being just a "cyclical trading vehicle."

Sometimes bold moves can be unpopular or nerve-racking for a while, as Antamina was until we proved it could be financed and built successfully, and as Fort Hills may seem to some observers today. But rejuvenating through quality, long-life assets like these is the key to building a good, sustainable mining company, and one has to grasp them when one can. As always, this part of the cycle will turn.

Changing of the Guard

Your Board is in the process of rejuvenating as well, with Chris Thompson having chosen to retire from most of his public company boards for personal reasons. Janice Rennie, who has served for eight years, has asked not to have her name put forward in April, and Hugh Bolton will not be standing again, having passed the company's mandatory retirement age with one extension. Also, we lost a valued Board member in Jalynn Bennett in a tragic accident last month.

Each has been a valued member of the Teck Board for a number of years, contributing in their own ways to the company's success, and their service and advice has been much appreciated.

Two new directors joined the Board late in 2014, Tracey McVicar and Laura Dottori-Attanasio, and each brings important financial and analytical skills honed at CAI Capital and CIBC, respectively. I'm pleased to say as well that Tim Snider and Ken Pickering, both well-known mining people with extensive experience in building and operating large mines for industry-leading companies, have agreed to stand for election at the annual meeting in April. Their technological and business input will be a huge asset to Teck as we go forward.

On behalf of the Board of Directors,



Dr. Norman B. Keevil
Chairman
Vancouver, B.C., Canada
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