

Supply Chain Management



Supply Chain Management

From human rights to environmental impacts, companies are being increasingly held accountable by investors, government and civil society for the actions of their suppliers. For example, issues such as climate change will affect trade by disrupting supply chains, creating a knock-on effect for all parties.²⁵ This means that supplier readiness to adapt to climate change can expose companies to new risks or opportunities. To ensure business continuity and ongoing licence to operate, companies must ensure their suppliers follow the same expectations as those in place for operations.

Teck context

Teck procures goods and services such as mobile equipment, machinery, fuel and lubricants, explosives and a range of other products and services that support large-scale mining and refining operations. Through responsible supply chain management, our objective is to ensure that we minimize our potential impacts on people and on the environment, and that we 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.

As our operations and the majority of our business activities are in lower-risk jurisdictions that have strong legal frameworks, we expect and 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. For suppliers in jurisdictions with higher risk, additional vetting is conducted to ensure compliance.

GRI Indicators and Topic Boundary

102-9, 308-1, 308-2, 414-1, 414-2

This topic is considered most material by our employees, government regulators, investors and society in the context of all Teck sites.

How Does Teck Manage This Topic?

Information about how we manage the supply chain management, including relevant policies, management practices and systems, is available for download on our website.

2019 Highlights



Our Performance in Supply Chain Management in 2019

Our Targets and Commitments Teck’s Code of Ethics and Anti-Corruption Policy affirm Teck’s commitment to uphold high moral and ethical principles and specifies the basic norms of behaviour for employees and others conducting business on its behalf. Teck expects suppliers to adhere to the same fundamental principles, including those relating to legal compliance, fairness and honesty and anti-corruption.

Teck’s Code of Sustainable Conduct affirms that protecting the environment, the safety and health of our people, and our relationships with local communities are core values of Teck. We expect suppliers to apply the same or more stringent standards in a manner that is appropriate and proportional to the nature and scale of their activities, the goods that they supply and the services that they perform.

Supplier Expectations and Qualifications

All suppliers are required to follow our Expectations for Suppliers and Contractors, which builds on our Code of Ethics, our Human Rights Policy and our Anti-Corruption Policy.

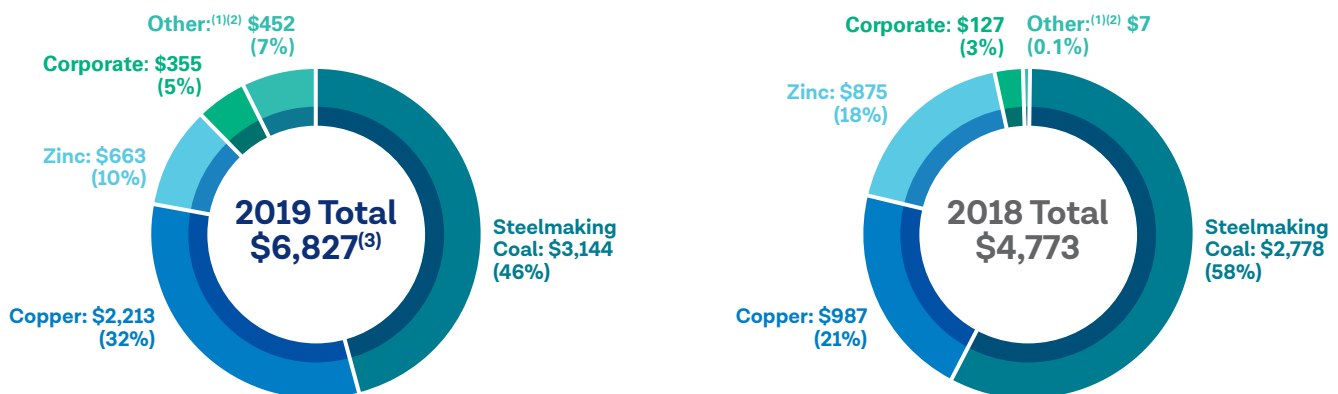
The qualification of all suppliers involves obtaining and monitoring evidence that a supplier meets or exceeds our

minimum standards as a condition to supplying products and services to Teck. This screens out the suppliers who are unable or unwilling to meet our requirements as outlined in our Expectations.

2019 Suppliers and Critical Suppliers

In 2019, we purchased goods and services from 2,936 suppliers, with an overall global spend of approximately \$6.8 billion, as shown in Figure 23.

Figure 23: Supply Chain Spend by Business Unit



(1) Includes our energy business unit and our Frontier project.

(2) As of February 2020, we have withdrawn the Frontier project from the regulatory review process. However, procurement and contracting work took place in 2019.

(3) The change in the total in 2019 is a result of consolidation of 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, and

suppliers of related parts and services; and outbound suppliers of rail, marine, trucking, bulk terminal and related distribution services. In 2019, critical suppliers represented approximately 39% of our total procurement spend, as shown in Table 33. Within critical suppliers, there are two types: those managed on-site and those managed at a corporate level. Our top critical supplier in 2019, as in 2018, was Canadian Pacific Railway; other critical suppliers in both 2019 and 2018 included Neptune Bulk Terminals, Westshore Terminals, Caterpillar and Komatsu and their respective dealers, as well as Imperial Oil and Suncor.

Table 33: 2019 Spend on Critical Suppliers

Business Area	Total (millions)	Critical (millions)	% of Total That Are Critical
Steelmaking Coal	\$ 3,144	\$ 2,142	31%
Copper	\$ 2,213	\$ 269	4%
Zinc	\$ 663	\$ 274	4%
Corporate	\$ 355	-	-
Other ⁽¹⁾⁽²⁾	\$ 452	-	-
Total	\$ 6,827	\$ 2,685	39%

(1) Includes our energy business unit and our Frontier project.

(2) As of February 2020, we have withdrawn the Frontier project from the regulatory review process. However, procurement and contracting work took place in 2019.

Evaluating and Measuring Supply Chain Risk Management Performance

Ongoing monitoring and assessment is conducted for all of our critical suppliers. In 2019, over 400 suppliers completed annual surveys as part of our supplier registration process. We also conducted 46 deep-dive assessments on our critical suppliers based on information provided during the on-site contractor registration process in 2019.

We measure the supply management performance of our critical suppliers by setting and tracking key performance indicators 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. In addition to measuring supplier-specific performance indicators, we measure and report on:

1. Company-wide procurement from local suppliers: page 45
2. Company-wide procurement from Indigenous suppliers: page 34
3. Contractor health and safety: pages 11–19

Outlook for Supply Chain Management

Teck remains committed to upholding the principles as set out in our Expectations for Suppliers and Contractors. Our focus for 2020 will be on the continuation of customer assessments, supplier deep-dives, supplier due diligence program and managing sustainability risks in the supply chain.