

**Teck Alaska Incorporated  
Red Dog Mine**

***MATERIALS MANAGEMENT*  
POLICES AND PROCEDURES**

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**SECTION: MATERIALS MANAGEMENT**  
**POLICY: 7.01.02 MATERIALS PROCURED BY CONTRACTORS**

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**1. Policy**

- 1.1. Materials purchased by contractors on a cost reimbursable (cost plus mark-up) basis for work on the Red Dog property shall be pre-approved by Teck Alaska Incorporated (TAK), and shall be procured and shipped in accordance with TAK's policy for the purchase of cost reimbursable materials, or other specific agreement that has been established for a specific project.
- 1.2. Unless otherwise specifically agreed, contractors shall not be reimbursed for materials or services procured on behalf of TAK unless specifically authorized in advance.
- 1.3. The Red Dog property has been certified under ISO 14001 and the Environmental Management System in place requires that certain goods, commodities, or equipment being brought to the Red Dog property be pre-approved by the Red Dog Environmental Department.

**2. Purpose/Scope**

- 2.1. This policy will apply to all contractors with TAK agreements for work, unless specifically agreed otherwise in the agreement or specifically accepted by the TAK Representative.
- 2.2. The policy is independent of any specific agreements or arrangements that contractors may have with third-parties, including sub-contractors.
- 2.3. This policy may only be superseded by specific terms and conditions mutually agreed upon in contracts for services or purchase orders.

**3. Procedure**

**3.1. Materials Purchased on Behalf of TAK**

- 3.1.1. Prior to purchasing materials for work on the Red Dog property that the Contractor will request reimbursement on a cost-plus basis, the Contractor shall provide TAK with a Bill of Materials or Materials Requisition form for approval that includes the following information at a minimum:
  - a) Quantity Required
  - b) Unit price of each line item
  - c) Expected delivery to the site for the materials
  - d) If materials are potentially hazardous, MSDS information
  - e) Any expected additional charges, including freight, customs duties, sales taxes.
  - f) Total expected weight of the shipment.

- 3.1.2. Any materials that are perishable, require special storage or protection, or require future or recurring payments to the supplier, shall be identified to TAK in advance of purchase.
- 3.1.3. Unless specifically approved otherwise, any materials or goods procured by the Contractor shall be of new manufacture and not previously used or refurbished.
- 3.1.4. Unless specifically approved otherwise by TAK, the Contractor shall not purchase any materials from a supplier in which the Contractor has a financial interest or other joint venture relationship. The Contractor shall inform TAK of any extending relationships between the Contractor and the Supplier and all transactions must be conducted at arms-length.
- 3.1.5. Purchase Orders exceeding \$10,000 shall include an option or provision that allows for surplus or unused materials to be returned to the supplier for re-stocking or credit.
- 3.1.6. The Contractor shall only procure materials required specifically for the work or project at hand, and not for future or stocking purposes. Materials procured by the Contractor willfully in excess of requirements may not be accepted or reimbursed by TAK.
- 3.1.7. The Contractor shall maintain a file of all reimbursable purchases made for each work package or job. The file shall include a copy of the TAK approved requisition, and a register that indicates what materials have been received on site.

### 3.2. **Shipping and Freight**

- 3.2.1. Any materials shipped to the Red Dog site shall be packaged in accordance with US DOT CFR 49 requirements.
- 3.2.2. The Contractor will be responsible for any freight arrangements or expediting of materials to the designated TAK consolidation points of either a) Alaska Marine Lines, Seattle, WA, or, b) Northern Air Cargo, Anchorage, AK.
  - 3.2.2.1. Any shipments 500 pounds, or less, should be forwarded freight pre-paid by the most suitable means of transport to the delivery point.
  - 3.2.2.2. Shipments exceeding 500 pounds should be coordinated with TAK and where applicable TAK's contracted carriers should be utilized.
- 3.2.3. The Contractor shall at all times consider the dimensional restrictions, because of aircraft and handling equipment, in transporting materials to Red Dog.

### 3.3. **Environmental Approval**

- 3.3.1. When applicable materials or commodities are procured on behalf of TAK, and brought to the Red Dog property, approval must be obtained by the TAK Environmental Department prior to the purchase being made. This approval

must be obtained if the purchase results in the positive answer "Yes" or "Maybe" to any of the following six questions:

1)	Does this request involve light bulbs, radioactive sources, asbestos, or PCB-containing materials? If so, please forward a copy of the MSDS to the Environmental Department or Buyers.
2)	Does this request involve reagents, chemicals, glycol / antifreeze, paint, solvents, fuel, grease, or batteries?
3)	Does this request involve spill response equipment, booms, or containment pallets / drums?
4)	Does this request involve secondary containment or fuel tanks > 55 gallons?
5)	Does this request involve stationary internal combustion engines, petroleum-fired heaters, or mobile diesel generators / pumps?
6)	Does this request involve baghouses, boilers, incinerators, scrubbers, crushers, conveyors, or industrial fans?

#### 3.4. Reimbursement for Purchased Materials

3.4.1. For TAK to approve the reimbursement of materials purchased, the Contractor must provide a copy of the paid invoice as back-up.

3.4.1.1. Unless specifically agreed in advance, TAK will not approve reimbursement of the Contractor prior to the Contractor submitting payment to the supplier.

3.4.1.2. Any discounts or rebates provided to the Contractor, either prior to or after the payment of the suppliers invoice, shall be communicated to TAK and deducted from the amounts owed TAK.

#### 3.5. Surplus Materials

3.5.1. Upon completion of the work, any cost reimbursable materials surplus to the work shall be listed and the TAK Representative notified of the quantities.

3.5.1.1. The Contractor shall determine if the materials can be returned to the original supplier.

3.5.1.2. If the materials cannot be returned, the TAK Representative shall be provided a detailed list of the materials and ensure that the materials are inventoried and securely stored. The TAK Representative shall direct the Contractor on the disposition of the surplus materials.

#### 3.6. Non-Reimbursable Materials

- 3.6.1. Materials that are brought to the Red Dog site that are not directly reimbursable, including small tools and consumables, are subject to the same environmental approval. Section 3.3 Environmental Approval shall be followed as with all other procured materials. It is the responsibility of the contractor to obtain the approval from the TAK Environmental Department.
- 3.6.2. Shipments of Non-Reimbursable Materials being brought to the Red Dog site in excess of 500 pounds shall be pre-approved by the TAK Representative prior to delivery to the TAK consolidation points for airlift or sealift.
  - 3.6.2.1. If the materials are not pre-approved by the TAK Representative, and they are not directly related to the contractors work activities on site, TAK may refuse carriage of the materials to the Red Dog property, or require that the contractor reimburse TAK for the freight costs per the prevailing preferred freight rates.

**3.7. Applicability**

- 3.7.1. The above Sections shall apply to all cost reimbursable (time and materials) agreements or service orders.
- 3.7.2. The above policies regarding materials shall also apply to any services contracted for by the Contractors that will require reimbursement by TAK.
- 3.7.3. The above Sections, with the exception of 3.3 Environmental Approval, shall not apply to Lump-Sum or Fixed-Price contracts of work unless specifically included in the agreement for services.

**4. Definitions**

- 4.1. Non-Reimbursable Materials: Materials that are procured by a contractor or third-party that are not directly reimbursed by TAK. These would include small tools and consumables that are to be included by agreement as being supplied as part of the hourly labor rate paid, or as part of some other lump sum or fixed payment.
- 4.2. Reimbursement for Materials: Payment to the contractor at the actual cost of the materials purchased plus an agreed upon amount calculated by multiplying an agreed upon rate by the actual cost.
- 4.3. TAK Consolidation Point(s): The agreed upon delivery point for materials destined for the Red Dog property at which point TAK manages the transport to Red Dog. This is typically:
  - 4.3.1. SEALIFT: Alaska Marine Lines, Seattle, WA
  - 4.3.2. AIRLIFT: Northern Air Cargo, Anchorage, AK
- 4.4. TAK Representative: An authorized and specified person that represents TAK in communications and authorizations to the contractor. This person may be either a TAK employee, or a third-party contractor that has been retained to represent TAK in certain contractual arrangements.

## **5. General Requirements**

- 5.1. None

## **6. Key Responsibilities**

- 6.1. The TAK Representative or TAK Project Manager shall ensure that contractors adhere to this policy, or other contractual agreements, when approving field requests or invoices.
- 6.2. Contractors shall be responsible to ensure that their field requests for materials and invoices reflect this policy, or other agreements relating this policy.

## **7. Key Documents/Tools/References**

- 7.1. Contractor Field Procurement Request Form

# Contractor Field Procurement Request

For use by Contractors procuring materials to be reimbursed by TAK

Vendor: \_\_\_\_\_

Order/Release Number:

Project: \_\_\_\_\_

Date Prepared: \_\_\_\_\_

Area: \_\_\_\_\_

Charge Code/MWO: \_\_\_\_\_

End Use / Type: \_\_\_\_\_

Item	Qty	Unit	Description	Unit Price	Total Price
<i>Include the cost of any added freight charges to the Delivery Point</i>				<b>Freight Costs Added</b>	
				<b>Total Order Cost</b>	

Shipping Terms: \_\_\_\_\_

*Freight Terms or FOB Point*

Delivery / Shipping Point/Date: \_\_\_\_\_

Shipping Weight: \_\_\_\_\_

## Approvals:

Contractor: \_\_\_\_\_

Environmental: \_\_\_\_\_

TAK Representative: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_