

## Refiner's Compliance Report

The *LBMA Responsible Silver Guidance* has been established for Good Delivery Refiners to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict, to comply with high standards of anti-money laundering and to combat terrorist financing practice.

This report summarizes how Teck, a Good Delivery Refiner has complied with the requirements of the LBMA Responsible Silver Guidance.

### PART A: Refiner's Details

Refiner's name: Teck Metals Ltd  
Location: Trail British Columbia Canada  
Reporting year-end: 2018  
Date of Report: March 25, 2019  
Senior management responsible for this report: Richard Deane, Manager Commercial Services and Public Affairs Teck Metals Trail [Email Richard.Deane@teck.com](mailto:Richard.Deane@teck.com) Phone+1.250.364.4118

Signature: 

### Teck's evaluation

The following lists the minimum requirements that must be satisfied by Refiners in accordance with the *LBMA Responsible Silver Guidance* to demonstrate compliance.

### PART B Summary of activities undertaken to demonstrate compliance

#### Step 1: Establish strong company management systems.

Status for 2018: Partial Compliance

Teck Metals Ltd (hereafter "Teck") has in place a corporate Responsible Silver Program and Anti-Money Laundering and Know Your Customer Program, which are consistent with the requirements set forth by the London Bullion Market Association's Responsible Silver Guidance. Implementation of the Responsible Silver program began in May 2018 and due diligence processes were modified a number of times during the year but they were not fully completed during 2018. This program is in the first year of implementation and not all system requirements have yet been fully implemented.

Teck has established an internal management structure to support supply chain due diligence. This internal management structure enables communication and implementation of the program requirements, and monitoring of the supply chain due diligence program.

The Vice President Gen Counsel & Secretary has been appointed the Teck Compliance Coordinator providing Compliance oversight for the Teck Anti-Corruption Policy. The Compliance Coordinator is responsible for providing independent oversight and support for the execution of the Responsible Silver Program activities completed by the Teck Sales and Marketing and Teck Refinery Operations.

The Director, Zinc & Lead Concentrate Marketing - Concentrates is responsible for managing the program and ensuring its implementation in order to identify and assess the risk related to all suppliers of silver-bearing refining deposits (hereafter "suppliers"). Where a material concern has been identified with respect to a supplier's activity, the concern is to be communicated by Teck employees to the Compliance

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Coordinator accordingly. The Director, Zinc & Lead Concentrate Marketing - Concentrates and Compliance Coordinator ensure that the Senior Leadership Team and Board of Directors, where applicable, are also briefed regarding risk concerns. The Quality Programs Superintendent, Trail Operations provides support to the Compliance Coordinator in fulfilling system and monitoring obligations for the LBMA Responsible Silver Program.

Teck has identified and recorded all suppliers, and maintains records containing supply chain information for each source refined. Teck Trail Refinery has a silver-bearing material receiving process, and requires that specific documents be received, and transactional details entered into a tracking system before processing the silver-bearing material.

Prior to 2018, Teck had in place extensive multi-year formal supplier agreements and the newer agreements include a reference to complying with laws and forbidding supply of conflict minerals. As existing agreements are being renewed, additions will be made to ensure that the new term references will be included which are consistent with the OECD's principles and the Teck Responsible Silver Sourcing Policy.

A training program is in place to inform employees about the Responsible Silver Program. The training material highlights to employees that they should report any concern to their supervisors and there is a confidential corporate reporting program called Doing What's Right to report any material concern or red flag with respect to a supplier or a specific deposit received for processing. Any concerns that are escalated by management or through the confidential program are reviewed with the Teck Compliance Coordinator.

Teck has engaged with Silver Source suppliers to request access and confirmation of their Anti-Money Laundering (AML), Anti-Terrorist Financing (ATF) and Conflict Free Sourcing (CFS) policies, where available. Teck worked to obtain A Know Your Counterparty (KYC) form to confirm the supplier details and reinforce that silver containing materials received by Teck for processing have not been sourced from illegal mining operations located in internationally designated conflict areas. In 2018, Teck was not successful at securing KYC forms from every supplier. Some suppliers of Zinc and Lead ore indicated that they consider the entrained Silver to be Mining By-Product Silver and their source is excluded from the need to comply with the LBMA Responsible Silver Guidance requirements altogether and thus did not return a KYC form. Teck reports that all Teck received silver sources are Mining By-Product sources. There is a lack of clarity within the LBMA definitions as to the status of the exclusion criteria which also lead to a lack clarity on the scope of the due diligence process. This confusion delayed the due diligence process. Where KYC forms were not available, Teck developed other independent source information to perform due diligence. Teck revised the due diligence process in late 2018 but not all parts of the revised due diligence process was completed by the end of 2018.

Teck maintains an anonymous whistle-blowing hotline available to all employees. This is a mechanism for employees to make anonymous disclosures relating to the Responsible Silver Program or to any other wrongdoing.

### **Step 2: Identify and assess risk in the supply chain**

Status for 2018: Partial Compliance

Teck has identified and assessed the risks for each of the suppliers. Each supplier is required to undergo the Teck's Know Your Counterparty due diligence process, and is subject to a risk assessment.

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The supplier due diligence/risk ranking process includes collecting and verifying the suppliers' business and financial details, verifying using independent 3<sup>rd</sup> party sources that beneficial owners are not on international money laundering and terrorist financing watch lists or listed as Politically Exposed Persons, obtaining trade reference information, and confirming that the suppliers maintain an active bank account with a financial institution.

The risk assessment encompasses risk indicators related to nature of company, geography, nature of business, delivery channels, ownership, organizational structure, and other risk factors that Teck deems relevant. Teck revised the due diligence process in late 2018 but not all parts of the revised due diligence process was completed by the end of 2018. Some potentially high risk suppliers were only flagged in early 2019, after source material had been received. Action plans for High Risk Sources are in development but have not yet been implemented.

Where Teck maintains a relationship with a higher risk supplier, Teck will implement enhanced due diligence risk mitigation strategies and in cases with exceptional high risk, briefed Senior Management, the Senior Leadership Team accordingly.

Teck conducts appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship for all suppliers regardless of their risk ranking.

Shipments of material received for processing are subject to inspection and validation that the material shipped conforms to the suppliers' previously established material type. The Teck Refinery employees verify that the required documentation have been received before the material is accepted for processing.

Should new information be made available about a given supplier at any time during the course of the business relationship, Teck will review the possible impact to the supplier's risk assessment rating, and re-assess the level of risk as required.

### **Step 3: Design and implement a management system to respond to identified risks.**

Status for 2018: Partial Compliance

Teck has developed a response strategy framework to address identified risks. This response strategy has been developed as part of the Management System documentation, however due to late implementation of the due diligence ranking process, no action plans are currently in place that demonstrates deployment of the strategy outlined below.

This strategy framework includes either:

- (a) accepting the new supplier's application for services/continuing business with the existing Silver Source Supplier, as applicable, with corrective measures implemented to mitigate against the identified risk; or
- (b) suspending and/or terminating the new supplier's application, or suspending and/or terminating the relationship with the existing supplier, should the Teck deem that corrective measures would not sufficiently mitigate against the identified risk(s).

Teck has outlined in its Responsible Silver Sourcing Management System documentation the circumstances in which the Teck would consider a zero tolerance position and would immediately terminate the relationship with a given supplier.

Where Teck has identified a risk, and where Teck deems that supplier corrective measures would sufficiently mitigate the identified risk, appropriate risk mitigation strategies are implemented. Mitigation strategies may include (but are not limited to):

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- I. Obtaining further details concerning the Silver Source Supplier's operations and AML/ATF/CFS program controls;
- II. Obtaining information regarding scheduled future development plans for said programs and controls;
- III. Conducting a documented site visit of the supplier's facility to validate the supplier's activities;
- IV. Scheduling a follow-up and re-assessment of the supplier's activities, where Teck will then re-assess its decision to continue maintaining its business relationship with the supplier based on the progress the supplier has demonstrated to-date.

Teck's Responsible Silver Program documentation specifies the minimum required for enhanced due diligence measures that must be taken when a high-risk supply chain is identified, as well as triggers and frequency of re-assessment.

### **Step 4: Arrange for an independent third-party audit of the supply chain due diligence.**

Status for 2018: Compliance

Teck has engaged the services of the assurance provider Ernst & Young LLP. Ernst & Young LLP conducted a reasonable assurance of Teck's Responsible Silver Metals Program and due diligence based on the LBMA Responsible Silver Guidance, and using the ISAE 3000 standard. Their Reasonable assurance report is attached to this Report as Annex A.

### **Step 5: Report on supply chain due diligence**

Status for 2018: Compliance

This compliance report has been prepared in accordance with LBMA Silver Guidance Step 5. Further information pertaining to how Teck's Silver supply chain due diligence policies and practices align with the requirements of the LBMA Responsible Silver Guidance has been detailed on Teck's website, <https://www.teck.com/products/other-metals/>. A public facing version of this report has also been made available on this website.

## **PART C: MANAGEMENT CONCLUSION**

Teck Metals Ltd is in compliance with the establishment of a management system in partial fulfillment of the requirements of the LBMA Responsible Silver Guidance as at December 31, 2018. Due to late development of the due diligence process and the multi-year nature of sourcing agreements, Teck Metals has not yet implemented due diligence plans for high risk sources in the year ending 2018. Teck has in place policies, management systems, procedures, processes and practices consistent with the requirements set forth in the LBMA Responsible Silver Guidance. This program is in the first year of implementation and not all system requirements have yet been fully implemented or realized a full cycle.

Teck is committed to ensuring it meets its social responsibilities and regulatory requirements, and will continue to review and update its internal controls on an ongoing basis. This includes continuing the implementation of ongoing program improvement initiatives and industry best-practices in 2019.

## **PART D: OTHER REPORT COMMENTS**

If users of this report wish to provide any feedback to Teck with respect to this report, they can contact the Teck Compliance Coordinator at E-mail: [anti.corruption@teck.com](mailto:anti.corruption@teck.com). or Director, Zinc & Lead Concentrate Marketing - Concentrates at [marketing.sales@teck.com](mailto:marketing.sales@teck.com)