

# Relationships with Communities

Businesses are increasingly being evaluated not only on financial performance and quality of their products or services, but also on their social impact.<sup>9</sup> Strong relationships between companies and their communities of interest, where there are clear mutually defined benefits and mechanisms to resolve conflict, are essential for business continuity and growth. But as traditional benefits such as jobs and procurement are changing in the face of new technology, and as conflicts arise from divergent perspectives on responsible resource development, these relationships can come under stress.<sup>10</sup>

Communities may be affected positively and negatively by the impacts of mining. Negative impacts can include competition for water and energy, and emissions to air; positive impacts can include local hiring and procurement, socio-economic growth, and direct community investment. In recognition of these impacts and opportunities, the International Council on Mining and Metals (ICMM) established stakeholder engagement as one of its 10 Principles.

While specific opportunities and concerns about the impacts of our activities vary among communities in the areas where

we operate, one of the common expectations of all communities is meaningful engagement throughout the mining life cycle. These relationships continued to be a strategic business priority across all of our sites in 2018. For example, community engagement was a critical part of the social and environmental impact assessment process for our Quebrada Blanca Phase 2 project. We engaged communities in relation to the development of all of our projects and continued to advance relationships with communities near all of our operations.

## Our Performance in Relationships with Communities in 2018

**Our Targets and Commitments:** Maintaining good relationships with communities is essential to facilitating responsible mining. We do that by focusing on policies and practices driven by our understanding of social risk and our work in human and Indigenous rights. We engage with communities to identify social, economic and environmental priorities, and to mutually define desired outcomes and measures of success. The following tables summarize our performance against our targets and our 2020 sustainability goals.

2020 Sustainability Strategy Goal	Status	Summary of Progress in 2018
Refine our business policies and practices based on results of our social risk assessments, our work in human rights, and developments in the rights of Indigenous Peoples.	On track	All operations completed social risk assessments and human rights self-assessments, which are contributing to operational risk planning.
Engage with communities to identify social, economic and environmental priorities, and to mutually define outcomes and measures of success.	On track	All operations are working to meet this goal through specific engagement activities, local community investment partnerships, and formal impact benefit or community development agreements.

## 2018 Key Performance Indicators

<b>2018:</b> 0	<b>2018:</b> 33%	<b>2018:</b> 71%	<b>2018:</b> \$22 million
2017: 0	2017: 26%	2017: 72%	2017: \$13 million
<b>Indicator</b> # of significant community disputes at our operations  <b>Target</b> Zero significant community disputes at our operations	<b>Indicator</b> Procurement spend on local suppliers  <b>Target</b> Increase procurement spend with local suppliers, relative to total spend	<b>Indicator</b> Average % of local employment at operations  <b>Target</b> Increase % of local employment at operations, relative to total employment	<b>Indicator</b> Amount of funds disbursed through community investment  <b>Target</b> At least 1% of our average annual earnings before interest and tax during the preceding five-year period

## Engagement on Actual or Potential Impacts

Guided by our Health, Safety, Environment and Community (HSEC) Management Standards and our Social Management and Responsibility at Teck (SMART) Framework, we require all 13 (100%) of our operations, all (100%) of our projects, and all of our exploration activities to engage and consult with stakeholders and communities to address current and emerging issues and to maximize opportunities that provide strategic value for both Teck and those communities.

Activities across the mining life cycle may result in a range of social, economic and environmental impacts, both positive and negative. Examples of specific impacts experienced at our operations in 2018, and major engagements undertaken, are discussed in Table 15. See page 22 for a list of key engagement topics with stakeholders and Indigenous Peoples identified and managed in 2018.

**Table 15: Selected Major Engagement Activities in 2018**

Actual or Potential Impacts on Communities from Our Activities	Sites	Major Engagement Activities
Environmental/Socio-Economic: livelihoods and community well-being	Carmen de Andacollo Operations	Engaged directly with community members, with local government and with service agencies to address dust concerns as well as health, environment and socio-economic development priorities.
Environmental: off-site environmental incidents	Trail Operations	Engaged with Trail residents and local government on impacts of sulphuric acid spills that occurred during transportation of the product from our operations after it was sold to a third party.
Socio-Economic: economic well-being of Indigenous communities	Highland Valley Copper Operations	Engaged with Indigenous Peoples near operations on implementation of commitments under agreements, including local hiring and procurement opportunities.
Community: subsistence resources, traditional land use and community health	Red Dog Operations	Engaged with residents of the village of Kivalina on perceived local water and health impacts through a joint working group.
Community: local employment and economic development		Engaged on implementation of a new village investment fund as well as on local employment and contracting opportunities associated with regional exploration activities.
Socio-Economic/Environmental: potential new project development in the region	Cardinal River Operations	Engaged with local Indigenous Peoples on potential impacts on water and socio-economic opportunities through the proposed MacKenzie Redcap extension.
Environmental/Socio-Economic: livelihoods and community well-being	Steelmaking coal operations in the Elk Valley	Engaged with the District of Sparwood and members of the wider community on joint processes to support local livability and to address dust impacts in the area.
Environmental/Socio-Economic: water and local livelihoods	Quebrada Blanca Operations	Engaged with communities to jointly monitor water impacts and identified local development opportunities.
Environmental/Socio-Economic: expanding operations at Quebrada Blanca	Quebrada Blanca Phase 2 project	Engaged with Indigenous and non-Indigenous communities, fishing unions and civil society as part of the QB2 regulatory review process.
Socio-Economic: economic well-being of Indigenous communities	Frontier project	Engaged with several Indigenous communities to establish impact benefit agreements.
Environmental: water and local livelihoods	Zafranal project	Engaged with local communities on water sources for the project, and on advancing the development of local economies.



## Teck's SMART Framework

In 2018, we undertook self-assessments of the implementation of the SMART Framework at all of our operations to ensure consistency with Teck's standards and to target opportunities for improvements. We implemented updates to our SMART toolkit, including new or updated guidance on feedback reporting, community incident reporting, community investment and benefits management, as well as piloting new SMART training for our social practitioners.

We also provided training in dialogue skills for our practitioners in both North and South America; hosted a cross-Teck Community of Practice workshop for more than 60 staff across Teck's operations, projects, exploration teams and functional groups; and launched a software tool for continued engagement and sharing of best practice.

## Understanding our Communities

In 2018, Teck conducted company-wide opinion research about communities near our operations for the second consecutive year, to continue gathering insight on the issues that communities care about most. The data obtained helps to measure and guide improvements to our performance, assess the impact of events, inform our five-year planning process and support our reporting. The surveys were conducted by an independent polling company.

## Feedback, Grievances, Disputes and Incidents

All of our operations and major projects and most of our exploration projects have implemented feedback mechanisms, which help us to understand our impacts on communities and take steps to address negative impacts and replicate positive impacts. Feedback received is recorded and categorized into four levels:

- Level 1: Feedback/donation request
- Level 2: Question or concern
- Level 3: Issue, concern or grievance
- Level 4: Repeated and ongoing concern, or an issue, concern or grievance that is major in nature and may include a breach of law or company policy

Level 3 and 4 feedback items are referred to as negative feedback or "grievances," recognizing that they are often specific issues of concern to community members that require a response and potential further action from the company.

### Feedback

In 2018, we received 1,169 instances of feedback through direct feedback mechanisms established across our sites, compared to 906 in 2017. Feedback levels will vary from year to year for several reasons, including the level of permitting or project activity. As efforts increase by our sites to improve the extent to which feedback mechanisms are used, we may see an increase in the overall amount of feedback received.

Figure 17: 2018 Feedback Received by Category<sup>(1)</sup>

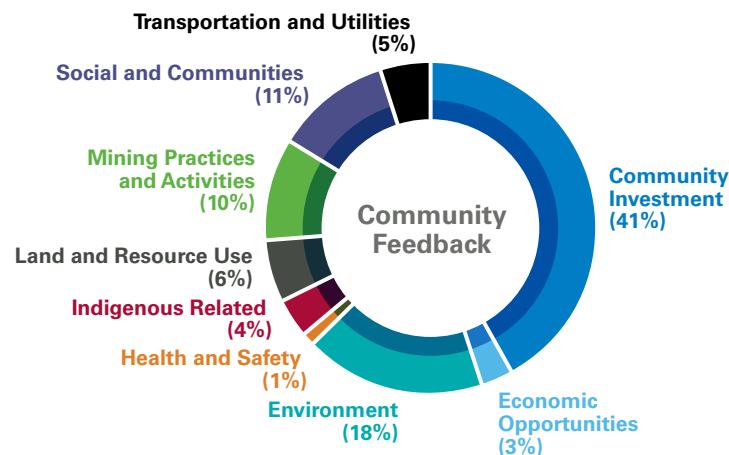
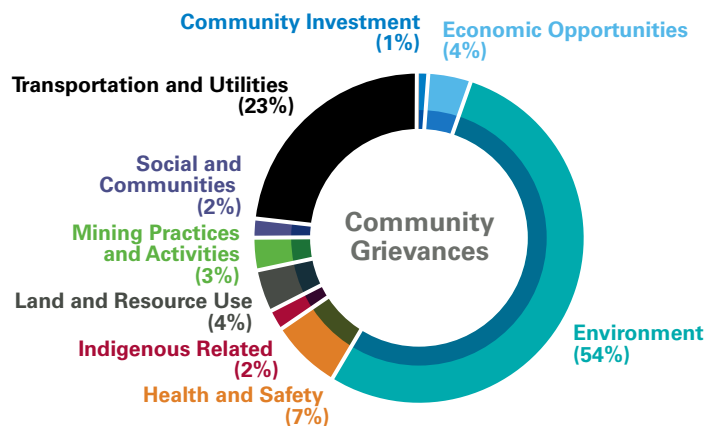


Figure 18: 2018 Grievances Received by Category<sup>(1)</sup>



(1) Our feedback system allows for multiple labels to be assigned to each grievance/feedback. For the purposes of these diagrams, we have chosen the primary label assigned by our community relations professionals.

### Grievances

In 2018, of the total feedback received, 220 items were considered grievances. Grievances are reflective of perceived or actual events taking place as a result of company activities, and therefore do not necessarily constitute an actual negative impact or non-conformance event. Teck's practice is that all feedback, which includes grievances, is acknowledged and assessed, and a response is communicated to the complainant, with the goal of providing a satisfactory reply or resolution in a timely manner.

### Disputes

Disputes represent conflicts between the company and the impacted community related to land use and the customary rights of local communities and Indigenous Peoples. Disputes are considered significant when they cannot be resolved jointly within a reasonable time frame, are repeated or widespread, or represent potentially significant or long-term financial, legal or reputational consequences for the

community or company. In 2018, zero Teck sites experienced significant disputes (Level 4 severity or higher).

**Table 16: Significant Disputes<sup>(1)</sup>**

	2018	2017	2016	2015
# of significant disputes	0	0	4	3

(1) Total number of significant disputes relating to land use and the customary rights of local communities and Indigenous Peoples at Teck sites.

### Community Incidents

In 2018, we continued to implement a community incident reporting system to ensure we are capturing and responding to all community concerns in addition to those raised through

our usual feedback mechanisms. An incident is an occurrence where individuals or groups may cite real or perceived breaches of law or company policy, real or perceived impacts on human rights (particularly related to land use) or the customary rights of Indigenous Peoples, and/or real or perceived impacts resulting in health effects.

In 2018, Teck had no significant community incidents; however, we did experience some less severe incidents, such as the following:

- After regulatory approval of the Quebrada Blanca Phase 2 project, the project experienced protest events with local fishermen's unions seeking benefits agreements. Events were short in duration with minimal impact and the project has since initiated constructive dialogue with the parties involved to seek opportunities to secure community opportunities associated with the new project as it progresses.

## Economic Value Generated and Distributed

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 the economic value generated.

In 2018, we had a profit attributable to shareholders of \$3.1 billion or \$5.41 per share. This compares with a profit attributable to shareholders of \$2.5 billion or \$4.34 per share in 2017. See our [Annual Report](#) for more detailed information on our financial performance.

**Table 17: 2018 Breakdown of Economic Value Generated and Distributed** (millions)

	Economic Value Generated	Economic Value Distributed									Economic Value Retained
		Payment to Suppliers <sup>(2)</sup>		Employee Wages and Benefits <sup>(3)</sup>		Payments to providers of capital <sup>(4)</sup>	Income and Resource Taxes <sup>(5)</sup>	Community Investments <sup>(6)</sup>	Total		
		Revenues <sup>(1)</sup>	Operating Costs	Capital Expenditures	Operating Costs					Capital Expenditures	
U.S.A.	\$ 1,973	\$ 947	\$ 215	\$ 178	\$ 3	\$ –	\$ 96	\$ –	\$ 1,439	\$ 534	
Canada	9,503	5,080	1,091	1,163	15	714	360	10	8,423	1,080	
Chile	711	397	424	104	28	–	76	5	1,029	(318)	
Peru	1,027	272	107	103	–	–	248	2	730	297	
Other	–	9	23	7	–	–	–	3	39	(39)	
Inter-segment elimination <sup>(2)</sup>	(650)	(650)	–	–	–	–	–	–	(650)	–	
Total	\$ 12,564	\$ 6,055	\$ 1,860	\$ 1,555	\$ 46	\$ 714	\$ 780	\$ 22	\$ 11,010	\$ 1,554	

(1) Revenues are presented based on an accrual basis. Internal cross-border sales are eliminated as shown.

(2) Operating costs include operating expenses at our mining and processing operations and our general and administration, exploration and research, and development expenses and costs relating to production stripping. Operating costs exclude depreciation, and employee wages and benefits, which are specified separately. Capital expenditures are payments for purchases of property, plant and equipment, excluding the component relating to capitalized wages and benefits, which is specified separately.

(3) Wages and Benefits reflects total amounts paid to employees relating to wages and benefits, including payroll taxes.

(4) Payments to providers of capital include dividends paid to shareholders, interest paid to debtholders, and payments for share repurchases less issuance of shares.

(5) Income and resource taxes include amounts paid in the year.

(6) Community investments include voluntary donations paid during the year.



## Empowering Youth to Drive Change in the Northwest Arctic

Every day, millions of people worldwide experience mental health challenges and, far too often, those who need help don't receive it. The Northwest Arctic Borough School District (NWABSD) had been struggling with this challenge, which in the past resulted in multiple students each year taking their own lives. But through the innovative Youth Leaders Program led by the students themselves, the well-being of youth in the region has undergone a significant transformation over the past 10 years.

The NWABSD announced in June 2018 a continuation of the Youth Leaders Program, thanks to a \$750,000 donation from Teck Red Dog Operations. Approximately \$1.4 million has been donated by Teck for this program since 2010.

"The philosophy behind the program is that youth, when faced with problems, will go to friends before they go to adults or service providers," said Michelle Woods, Co-Founder and former Program Coordinator, Youth Leaders Program. "Peer influence is the most effective instructional strategy for the Alaska Native population."

### *History of the Program*

In 2008, the NWABSD established the Youth Leaders Program to combat high rates of student suicide in the Northwest Arctic Borough. The program has seen tremendous success, with the number of teen suicides in the borough decreasing from eight in 2008 to zero in each of the six years following.

"We are pleased to support a program that is proving to make a real difference in the lives of youth in this region,"

said Wayne Hall, Superintendent, Environment & Community Relations, Red Dog Operations. "These kids have the power to change the culture in their schools and villages by embodying the change they wish to see."

Every school site has a Youth Leaders team that consists of 5 to 15 members who are selected each year by the students themselves. The selected youth leaders act as role models for the community and are made responsible for other youth at their schools. Each month, different Youth Leader teams around the district are required to host activities, which could range from doing the daily announcements at the school to facilitating fundraisers for the community.

Each year, there is a district-wide retreat where all members of each team are flown into Kotzebue for their yearly training. The team captains run workshops on topics such as anti-bullying, suicide prevention, student behavioural intervention, public speaking and service leadership. A high-energy atmosphere is created for the four-day retreat, where students learn what it means, and what it takes, to be a leader.

## Local Hiring and Procurement

We track the number of local employees and the value of local procurement as reflected in Table 18 with the latter being influenced primarily by the extent of site-level construction and maintenance activity as well as by the availability of suitable suppliers in the local area. We continue to focus on hiring people locally, as it helps to share the economic benefits of our industry with the communities in which we operate. In 2018, our overall average of local employees was 71% of our operational workforce, compared to 72% in 2017.

## Community Investment

We continue to meet our target of donating at least 1% of our earnings before interest and taxes on a five-year rolling average basis. Our earnings before interest and taxes are calculated against total (100% of) revenues. Our community investment expenditures in 2018 were \$22 million. Information on our [community investment reporting framework](#) is available on our website.

Given that our community investment budget target is tied to earnings on a five-year rolling average, our target in 2018 was \$12.8 million. However, based on Teck's financial performance for the year, the actual investment budget was increased to ensure continuity of existing programs and to take advantage of emerging community investment opportunities; thus, we purposely exceeded the 1% budget target for 2018.

### Team Teck

The Team Teck Community Giving program offers our employees the opportunity to amplify their donations to causes that they care about through donation matching from Teck. In 2018, employees across Teck supported several initiatives, with a total of \$132,800 provided by Teck in matching funding.

**Table 18: Local Employment in 2018<sup>(1), (2)</sup>**

Operation	Local Employees	Percentage of Local Employees	Senior Management Roles Filled by Locals
Cardinal River	310	76%	46%
Carmen de Andacollo	418	61%	0%
Coal Mountain	55	66%	50%
Elkview	635	58%	91%
Fording River	735	55%	96%
Greenhills	438	63%	72%
Highland Valley Copper	1,282	91%	24%
Line Creek	393	58%	95%
Pend Oreille	181	70%	22%
Quebrada Blanca	195	48%	27%
Red Dog	372	74%	35%
Trail Operations	1,446	95%	34%
<b>Total</b>	<b>6,460</b>	<b>71%</b>	<b>47%</b>

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

(2) "Local" is generally defined as persons or groups of persons living and/or working in any areas that are economically, socially or environmentally impacted (positively or negatively) by an organization's operations. The community can range from persons living adjacent to operations to isolated settlements at a distance from operations, but individuals are still likely to be affected by these operations.

**Table 19: Percentage of Total Spend with Local Suppliers**

Operation	2018	2017	2016	2015
Cardinal River	14%	12%	9%	8%
Carmen de Andacollo	14%	13%	18%	19%
Steelmaking coal operations in the Elk Valley	41%	26%	41%	48%
Highland Valley Copper	32%	37%	30%	29%
Pend Oreille	14%	14%	20%	12%
Quebrada Blanca	5%	12%	33%	24%
Red Dog	75%	41%	59%	55%
Trail Operations	29%	29%	27%	24%
<b>Total</b>	<b>33%</b>	<b>26%</b>	<b>30%</b>	<b>27%</b>

**Table 20: Community Investment by Site<sup>(1)</sup>**

Operation	2018	2017	2016	2015
Corporate Offices and Projects <sup>(2)</sup>	\$ 13,387,000	\$ 8,956,000	\$ 6,844,000	\$ 10,602,000
Carmen de Andacollo	2,264,000	1,773,000	1,929,000	2,310,000
Steelmaking Coal Operations <sup>(3)</sup>	2,134,000	675,000	679,000	672,000
Duck Pond	12,000	180,000	263,000	309,000
Highland Valley Copper	713,000	391,000	410,000	456,000
Pend Oreille	20,000	16,000	25,000	18,000
Quebrada Blanca	1,857,000	256,000	368,000	513,000
Red Dog	686,000	541,000	948,000	1,284,000
Trail Operations	326,000	338,000	339,000	480,000
Exploration	146,000	80,000	35,000	89,000
<b>Total</b>	<b>21,545,000</b>	<b>13,206,000</b>	<b>11,840,000</b>	<b>16,644,000</b>

(1) The numbers represent Teck's portion of ownership during 2018 (Carmen de Andacollo 90%, Quebrada Blanca 90% and Galore Creek 50%).

(2) Includes Calgary, Santiago, Spokane, Toronto and Vancouver offices as well as resource development projects (Frontier, Galore Creek, Quebrada Blanca 2 and Quintette).

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

## Outlook for Relationships with Communities

In 2019, we will work to maintain and strengthen relationships with communities at our operations and as we advance major projects, including Quebrada Blanca Phase 2. In particular, we will focus on addressing community concerns about environmental impacts by continuing to build on our efforts to improve dust and water management.

We will continue to improve the implementation of our SMART program and the associated training to enable further improvements in the management of our social risks. We will work to improve our management of community feedback and incidents to continuously build on our relationships with communities. In terms of economic contributions, we will prioritize local employment, procurement and community investment, with a focus on pursuing integrated strategies to provide better linkages between benefits.

### GRI Indicators and Topic Boundary

102-34, 201-103, 203-103, 203-1, 205-1, 413-103, 413-1, G4-MM6, G4-MM7

This topic is considered most material by our shareholders, employees, contractors, suppliers, regulators and society in the context of all Teck sites, contractor selection/management and supplier selection.

### How Does Teck Manage This Topic?

Information about how we manage relationships with communities, including relevant policies, management practices and systems is [available for download on our website](#).