



April 13, 2023

Dear Shareholder,

Re: ISS response to Teck's proposed separation

On Thursday, April 13th, we received Institutional Shareholder Services' (ISS) report on Teck's proposed separation and for the dual-class amendment proposal. While we are pleased that ISS is recommending that Teck shareholders vote for the dual-class amendment proposal, we were disappointed in ISS' flawed and incomplete analysis in recommending against the Separation of Teck to create two world-class, pure-play companies. Teck's Board, including all members of the independent Special Committee of the Board, and Teck's senior management disagree with many of the items noted in the ISS report.

ISS fundamentally misunderstood the reason for the proposed separation

The key reason for the proposed separation is to expand the range of value-creation opportunities for both Teck Metals Corp. ("Teck Metals"), and Elk Valley Resources Ltd. ("EVR") and give shareholders choice of how to allocate capital between two companies with different commodity fundamentals and value propositions. This proposal followed years of extensive engagement with shareholders on our portfolio composition and in-depth examination by the Board to identify the best pathway to unlock value for shareholders. Without question, there will be significantly greater optionality for creating value for our shareholders post separation versus maintaining the status quo. The status quo by contrast, serves to limit the range of potential counterparties that Teck may wish to engage with in the future and carries risks related to the transition path to a low carbon economy that should not be ignored.

ISS confused over Transition Capital Structure

ISS asserts that EVR will not re-rate or be considered a yield play until the Transition Capital Structure ("TCS") is fully paid, which is a conclusion they did not even attempt to support with analysis, precedent transactions or market observation. EVR's valuation is supported out of the gate by Nippon Steel Corporation's \$1.0 bn investment which implies a \$11.5 bn enterprise value. Furthermore, at current spot prices the TCS could be repaid in 7 years. EVR management has stated their intention to re-finance the preferred equity following payment of the royalty which would further shorten the TCS repayment period.

ISS confuses market reaction to separation announcement with downturn in steelmaking coal prices

ISS placed considerable weight on the perceived market reaction to the separation and speculates that it reflects shareholder sentiment. This matter was specifically discussed during engagement with ISS where it was clarified that the primary contributing factor was a 22% decline in the steelmaking coal price during this period. Furthermore, Teck's performance during this period was within 3% of the steelmaking coal peers. It is irresponsible of ISS to make such an assertion without considering alternative drivers for the moves in share price.

ISS demonstrates prejudice over dual class share structure

ISS' view on the value creation potential of the Separation is clouded by an apparent prejudice that the dual class share structure alone is the reason that Teck trades at a lower multiple than comparable companies. This prejudice is illustrated by the fact that ISS agrees that the independent financial

advisors' analysis on re-rating potential is sound, but then reverts back to their view that the dual class structure would continue to cause an overhang.

This bias is further demonstrated by the unfounded attack on the integrity of Teck's independent directors by asserting that they serve at the discretion of A Class shareholders and do so only because their interests are aligned. Undermining the credibility of this claim, we note that ISS has at the same time in their Proxy Analysis and Benchmark Policy Voting Recommendations recommended that shareholders vote in favour of each of the nominated directors and classify as independent the same directors that Teck's Board has identified as independent.

ISS recommendation without precedent

It is without precedent for a proxy advisor to recommend that shareholders vote against a transaction that was recommended by an independent special committee, advised by financial and legal advisors, based on the thesis that the status quo for shareholders has not been "poor" and that another transaction could possibly emerge in the future that may be better. This ignores that the Separation was specifically proposed in response to shareholder feedback and to expand the range of value-creation opportunities.

Revised Separation Transaction Terms address issues raised by ISS

ISS incorrectly determined that the structural framework of the separation, and the TCS in particular, is a barrier to a future potential transaction. This is not accurate. Both the royalty and preferred shares within the TCS are marketable instruments. Further, the revisions [we announced](#) to the terms of the Separation in response to shareholder feedback, including shortening the minimum term of the royalty to 3 years and placing a cap on EVR's capital spending, mitigate some of the issues raised by ISS.

Summary

In summary, the ISS report lacks the rigorous analysis required to make an informed recommendation in the best interest of shareholders. The Separation was proposed following extensive shareholder engagement and consideration and analysis by Teck's Board to identify the best value-creating option for Teck's portfolio.

Teck reiterates the firm recommendation of its Board of Directors that shareholders vote FOR the reorganization of its business to separate Teck into two independent, world-class publicly-listed companies – Teck Metals and EVR – as the best pathway to create value for shareholders.

We look forward to continuing to engage with our shareholders in the days ahead and welcome your questions regarding the proposed Separation and Dual Class Amendment. If you have a question or would like to meet with us, please contact Fraser Phillips, Senior Vice President, Investor Relations & Strategic Analysis at 604.699.4621 or fraser.phillips@teck.com.

Yours sincerely,



Sheila Murray
Chair of the Board
Teck