

Our Approach to Supply Chain Management

Which Teck sites does this document apply to?

This document summarizes our approach to supply chain management. This document applies to all Teck sites and projects. This does not include operations in which Teck has/had an ownership interest but is not the principal operator.

Supply Chain performance information: See our Annual Sustainability Report available for download on our [website](#).



Haul truck at Fording River Operations, Canada, 2013

Background

Teck procures a range of goods and services such as mobile equipment, machinery, fuel and lubricants, and explosives, and a range of other products and services that support large-scale mining and refining operations. The following stakeholders are included in our value chain:

- **Suppliers:** We rely on an international network of suppliers to provide the products, materials and goods needed to support our operations. These include mining equipment and spare parts, tires, fuel and lubricants, explosives, electricity, operating materials and consumables, and chemicals for processing.
- **Service Providers:** We outsource selected operational activities to third parties, typically due to their cost-effectiveness or technical capabilities. Typical activities carried out by service providers and contractors include heavy mining equipment maintenance; transport and logistics; mechanical, electrical and construction work; general exploration drilling; and technical/engineering consultancy.
- **Joint Venture Partners:** Ownership of some of our assets is shared with joint venture partners. This includes, for example, our Antamina mine in Peru (BHP Billiton, Glencore and Mitsubishi Corporation) and the Fort Hills oil sands mining and processing operation in Alberta (Suncor Energy Inc. and Total E&P Canada Ltd.).
- **Customers:** Our customers include refineries, smelters and steel mills. Our products are purchased for immediate use or for further processing. In addition, we provide other customers with various metals and chemical by-products.

- **End Users:** Our products are used by a variety of industries, including construction; transportation, automobile and logistics; electronics and telecommunications; power generation and transmission; domestic appliances; consumer goods and nutritional supplements; agriculture; and energy users.

Policies and Standards

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](#).

Teck's [Expectations for Suppliers and Contractors](#) have been established to clearly communicate Teck's expectations for suppliers of goods and contractors performing services ("Suppliers") for or on behalf of Teck. The Expectations apply to suppliers and all of their parent, subsidiary and affiliated companies and their respective employees, contractors and agents.

The Expectations for Suppliers and Contractors policy includes our requirement that suppliers and service providers will address issues relating to ethics, health and safety, environmental stewardship and human rights, including numerous labour law requirements. In addition, the Expectations integrate stipulations regarding fair working conditions, non-discrimination and the abolition of child and forced labour. These expectations are broadly communicated to all our suppliers and contractors and are included in our contracts as an 'alignment' with such suppliers and contractors to uphold these moral and ethical principles that are based on honesty, integrity and respect.



The Expectations also incorporate our Health, Safety, Environment and Community (HSEC) Management Standard 7 on Contractors and Suppliers. This standard requires us to identify and manage HSEC and supply chain risks by assessing performance and practices when selecting contractors and suppliers, maintaining oversight of risks associated with the goods and services provided, and assessing other opportunities and threats within the supply chain.

Working with Critical 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. Within critical suppliers, there are two types: those managed on-site and those managed at a corporate level.

Supply Chain Management

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. Supply chain management is a multidisciplinary function at Teck involving several departments:

- **Supply Chain Management group** oversees inbound supply chain risks, while our Logistics and Transportation group oversees outbound risks.
- **Materials Stewardship Team** provides strategic direction and the framework for materials stewardship and supply chain risk management at Teck. It establishes the materials stewardship criteria as they pertain to product, business, customer and downstream/upstream issues. The team's activities include identifying and

managing risks associated with customer assessments, supply chain reviews, product approvals, transportation, regulations, technical advice, human rights, environmental and health guidance, legal, and new product application reviews and approvals.

- **Community and Government Relations group** administers the Human Rights Policy, which is overseen by our Legal department, including human rights saliency reviews which take place every two years.
- **Operations, Project Development and Exploration groups**, along with other functional areas, manage supply chain matters related to on-site contractors and procurement.
- **Corporate Risk and Legal groups** support our Supply Management, Logistics and Transportation, and Operations and Exploration groups. The Corporate Risk group identifies and manages supply chain risks through the corporate risk assessment processes, while the Legal group manages commercial contract development and compliance with Teck's policies related to our supply chain.

Supplier Management Guidelines and Expectations

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.

Supplier Qualification Due Diligence

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.

The following additional screening may occur if:

- **The supplier may interact with government on our behalf:** They must register and maintain an account in good standing with our Anti-Corruption Compliance program through the Dun & Bradstreet online portal.

- **The supplier is on-site for more than 30 days on one or more Teck sites:** They must register and maintain an account in good standing in our supplier database. Within the database, a comprehensive questionnaire asks about their practices in health and safety, ethics, anti-corruption, human rights and environmental management. Each on-site supplier must also participate in mandatory site-specific orientation and induction training.
- **The contract is of significant value:** A formal Request for Information and Request for Proposal process is required. Through this process, we evaluate and select suppliers and contractors based on the HSEC risks associated with the goods and services to be provided, their HSEC-related practices, a record of past HSEC performance, and their capacity to perform the work required consistent with legal requirements and local requirements.
- **The contract is selected for manual review:** At any time, if higher risk is identified, we may initiate a manual review and vetting process of a supplier to determine whether the supplier meets our standards as a condition to supplying products and services to Teck. The results of the review determine whether work with the supplier will or will not proceed.

Ongoing Monitoring and Assessment

Ongoing monitoring and assessment is conducted for all of our suppliers. If an issue is identified during the assessment, work is stopped, an investigation is conducted and a corrective action plan is developed in collaboration with the supplier. If the plan is implemented to our requirements, work with the supplier will resume. If the plan does not meet our requirements, further work with the supplier to correct the finding will be conducted and/or the contract with the supplier may be terminated.

Identifying and Managing Sustainability Risks

Inbound supply chain risks are initially identified as part of the analysis and identification of critical suppliers by our Supply Management group. Outbound supply chain risks are identified by the Logistics and Transportation group as well as by the Materials Stewardship working group, which advises and develops active risk management processes to reduce the impacts of our products and to ensure products satisfy or exceed regulatory, environmental and societal needs.

Engaging Downstream Customers on Sustainability

In recent years, we have seen an increase in requests for information from downstream customers to better understand the sustainability of their supply chain. In

response, we have actively engaged with downstream customers to respond to their questions and expectations. Requests for information from our customers are largely driven by their own commitments to sustainability, their regulatory environment and their evaluation of risks, and in response to growing consumer concerns and expectations.

Measuring Supply Chain Risk Management Performance

We measure supply management performance of our critical suppliers by setting and tracking key performance indicators in contracts. For example, 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 the following in our annual sustainability reports:

1. Company-wide procurement from local suppliers
2. Company-wide procurement from Indigenous suppliers
3. Contractor health and safety

Managing Product Impacts through Materials Stewardship

All Teck products are listed on a Master Product List that is owned and managed by the Materials Stewardship Committee (MSC). For products to be added to the list, a detailed application is submitted to the MSC. Products are assessed on their whole product life cycle, and include customer assessments, legal jurisdiction reviews, logistics and form of transportation, hazardous materials and emergency response, contracts and financial rate of return.

The MSC also commissions and conducts customer assessments to help ensure that products are handled safely by smelters, refineries or other end users. The assessments allow us to uphold business ethics, regulatory requirements, sustainable management practices, and external expectations.

We draw on ecotoxicity expertise developed by various commodity associations and other experts to bring sound science into our management approaches and decisions. Our materials stewardship program is also actively engaged with collective industry efforts, including those of the ICMM, towards continuously improving materials stewardship practices.

We report on our performance in responsible supply chain management on an annual basis in our [Sustainability Report](#).