

CSR Case Study:
Teck Cominco
Building a culture of responsibility

FINAL DRAFT

Prepared for:
Interdepartmental Working Group on
Corporate Social Responsibility (CSR)



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1 Corporate Overview

Teck Cominco Limited is a Canadian integrated natural resource company based in Vancouver, British Columbia, whose principal activities are mining, smelting and refining. The company was formed in 2001 through the merger of Teck Corporation and Cominco Ltd., the two oldest continuously operating mining companies in Canada. Teck and Cominco were established in 1913 and 1906, respectively. The group has 9 mines in Canada, the USA and Peru, producing zinc, copper, molybdenum, gold and metallurgical coal, and significant zinc-refining operations in Canada and Peru. The company's production of refined metals includes zinc, lead, gold and silver. In addition, the group produces specialized metal products, including indium, germanium and low-alpha powders of lead, tin and special alloys used in the high technology sector. Other products include cadmium, copper sulphate, copper arsenate, sulphur, sulphuric acid, sulphur dioxide and ammonium sulphate fertilizer. The company produces power at its hydroelectric development on the Pend Oreille River in Trail, British Columbia. Teck Cominco employs 6100 people and has 5800 shareholders. Teck Cominco's reported revenue in 2001 was approximately \$2.4 billion.

Teck Cominco's major operations, and those examined in this case study, include the following:

Red Dog Mine. The Red Dog Mine, located in north-western Alaska, is a zinc/lead mine and the largest producing zinc mine in the world. It is located 140 kilometres north of Anchorage, in a 98 000 square kilometre region controlled by the Northwest Alaska Native Association (NANA) Regional Corporation. The region is home to approximately 7500 Inupiat Eskimos, many of whom work for Teck Cominco at the mine.

Sullivan Mine. The Sullivan Mine is located near Kimberley, British Columbia, where it had operated since 1909 until its closure in December 2001. During its 92 years of production, the mine produced more than \$20 billion in lead, zinc and silver, and employed on average 1000 people annually, with peak employment in the 1950s of about 3500. Teck Cominco is now undertaking an extensive decommissioning and reclamation process at the mine site.

Antamina Mine. Compañía Minera Antamina (CMA) is a joint venture between Teck Cominco, Noranda, Inc., BHP-Billiton, and Mitsubishi Corporation, in which Teck Cominco holds a 22.5 % interest. The Antamina copper-zinc mine is located in the Andes Mountains of central Peru, 270 kilometres north-east of Lima, Antamina's construction program was one of the largest new mine development projects ever undertaken. It is expected to produce an average of 675 million pounds of copper and 625 million pounds of zinc annually over its first 10 years of production, and will have a mine life of more than 20 years.

Pend Oreille Mine. The Pend Oreille Mine is an underground zinc mine located in northeastern Washington State, a little more than 10 km south of the Canadian border. The mine, acquired by Cominco in 1995, operated from 1952 until 1977, when it was closed for economic reasons. The

mine, when operational, will supply zinc concentrate to the company's Trail smelter and refinery operations located 100 kilometres to the north in British Columbia.

Trail Metallurgical Operations. The Trail Metallurgical Operations constitute one of the largest fully integrated zinc and lead smelting and refining complexes in the world. Located in south eastern BC, near the Canada-US border, the Trail Smelter processed ore from the Sullivan Mine in Kimberley as well as other Teck Cominco operations such as the Red Dog Mine in Alaska. In operation since 1902, the Trail Smelter employs approximately 1565 workers and has been a cornerstone of the local economy.

2 Business Context

Mining and metals companies operate in a challenging cyclical business environment. According to a recent analysis by Standards and Poors, most companies in the sector have been rated as stable to negative, a situation that “reflects the weak base, commodity, and ferrous metals prices that have prevailed for several years; uncertain global economic demand; and debt-funded consolidation that has led to weak financial performance and more aggressive capital structures”.¹ Real prices of metals continue to decline and this is forcing companies to cut costs as much as possible. Demand and prices are being affected by production slowdowns in manufacturing and telecommunications—two sectors that are significant end users of metals. Other trends in the sector include:

- Industry consolidation—with a number of significant mergers taking place in the last two years, including the one that created Teck Cominco;
- Automation—driven by the need to be cost-efficient in the face of weak demand and low prices;
- Ongoing environmental improvements—for example, in the trend towards hydrometallurgical processes away from “dirtier” traditional smelting;
- A growth in consumption in the Chinese market which is partially offsetting slowdowns in other regions such as the USA and Europe; and,
- A substantive discussion on sustainability and its implications for metals and mining.

The future economic outlook of the sector will be strongly influenced by the nature of the recovery of the US economy and whether the Chinese economy continues its strong growth.²

¹ Metals & Mining 2002 Outlook for Credit Quality. Thomas Watters, New York , Olivier Beroud, London. May 2002.

² Outlook for Metals and Minerals, 2001 full year results.31 January 2002. David Humphreys. Chief Economist, Rio Tinto.

With respect to sustainability, the mining and metals industry has been undergoing intensive internal and external discussions on this issue over the last four years. A key driver behind the discussions is a perceived (and, in some cases, very real) lack of progress in the sector in addressing environmental and social impacts of mining, and metals production and use.

From an environmental perspective, key impacts are associated with the extraction and processing of metals. These include land disturbance, tailings and effluents, and emissions to air from smelting and refining operations. The end-use of some metals (e.g., mercury, cadmium and lead) has also come under increasing scrutiny due to their toxic properties.

Social impacts are related to exploration activities, mine operations and closure, and the effects of development on local communities. By virtue of the location of their mines, which are often in remote locations, many companies in the sector are faced with issues related to working with indigenous peoples to address impacts on their lands and cultures. Key stakeholder groups for mining companies include local governments and regulatory authorities, environmental non-governmental organizations (ENGOs), local and aboriginal communities, employees and multi-lateral financial institutions such as the World Bank.

Unlike the chemicals sector (through Responsible Care) and the forestry sector (through sustainable forest management certification schemes), the mining and metals sector has not been perceived by many stakeholders to be actively addressing sustainable development. This situation has led leading companies to recognize that action is needed in order to establish the sector's credibility and to more clearly articulate the sector's contribution to sustainable development to a broad base of stakeholders. In effect, the industry's "social licence to operate" is at risk. This includes maintaining access to land, ensuring capital and end-markets, product stewardship, securing regulatory permits, and gaining the trust of local communities and employees.

In 1998, a number of companies in the sector (BHP, Anglo American, Noranda, WMC Resources, Phelps Dodge, Placer Dome, Rio Tinto, Newmont, Codelco) began a discussion on issues around the reputation of the mining industry and the implications of sustainable development³. This effort led in that same year to the establishment of the Global Mining Initiative (GMI) with a mandate to address a range of issues in both the mining, minerals and

Box 1. Key Recommended Actions from the MMSD Study

- An Industry Protocol for Sustainable Development
- A Commitment to Address the Negative Legacy of the Past
- Supporting Legalisation of Artisanal and Small-Scale Mining
- Integrated Management of the Full Mineral Chain
- More Effective Government Management of Mineral Investment
- A More Equitable International Trade Regime for Minerals

Source: <http://www.iiied.org>

³ The Global Mining Initiative: Changing Expectations – Meeting Human Needs and Aspirations, Speech by R J McNeilly, Executive Director and President BHP Minerals, 2000 Minerals Industry Seminar, Minerals Council of Australia, June 7, 2000.

metals cycles. The issues included: access to land and resources; exploration; project development and secondary development impacts; governance of mining projects, their place in social and economic development, and issues of capacity building; rent capture and distribution; and the social and environmental impacts of mine closure⁴. Working through the World Business Council on Sustainable Development (WBCSD), GMI commissioned an independent worldwide study called Minerals, Mining and Sustainable Development (MMSD). The project was led by the International Institute for Environment and Development and some of its key conclusions are highlighted in Box 1.

Box 2: Key Sustainability Actions for ICMM and the Sector

- Expand the current ICMM Sustainable Development Charter to include appropriate areas recommended in the MMSD Report.
- Develop best-practice protocols that encourage third-party verification and public reporting.
- Engage in constructive dialogue with key constituencies.
- Assist Members in understanding the concepts and application of sustainable development.
- Together with the World Bank and others, seek to enhance effective community development management tools and systems.
- Promote the concept of integrated materials management throughout the minerals value chain wherever relevant.
- Promote sound science-based regulatory and material-choice decisions that encourage market access and the safe use, reuse and recycling of metals and minerals.
- Create an emergency response regional register for the global mining, metals and minerals industry.
- In partnership with IUCN-The World Conservation Union and others, seek to resolve the questions associated with protected areas and mining.

Source: *International Council on Mining and Metals. ICMM Toronto Declaration. May 2002*

⁴ http://www.globalmining.com/home/gm_frame.asp

The project was unprecedented in its scope, and its conclusions are based on four regional processes, over 175 commissioned studies, 23 global workshops and experts meetings, and a 7-week public review of the preliminary conclusions⁵. The results of the project were discussed at a GMI conference in Toronto in May 2002. It is clear that the MMSD work will raise expectations related to how metals and minerals companies will operate in the 21st century. These expectations range from the sector's role in local community development, environmental and economic performance and its contribution to national economies.

GMI also reviewed the structure and the role of the numerous trade and commodity associations that represent the industry with a view to consolidating their activity in support of sustainable development. It recently established the International Council on Mining and Metals (ICMM), which is expected to take a lead role promoting sustainable development within the sector. At the close of the GMI Conference in Toronto, ICMM issued a declaration that outlined a number of initiatives designed to improve the sector's social and environment performance (see Box 2).

It is clearly a time of transition in the mining and metals sector. MMSD has set a high bar with respect to economic, social and environmental performance—and a world of stakeholders will be watching how the sector and individual companies react. ICMM is positioned to carry forward cross-sectoral initiatives such as developing industry codes, product stewardship models and public reporting requirements. But there is a strong indication that individual companies such as Teck Cominco will distinguish themselves on the basis of strong corporate social responsibility initiatives (see Box 3).

Box 3: Teck Cominco and MMSD

Teck Cominco participated in the Mining, Minerals and Sustainable Development Project (MMSD) however it has not yet decided whether it will join ICMM (www.icmm.com), although the company had been a member of its predecessor the International Council on Metals and the Environment (ICME). Teck Cominco, as a member of the Mining Association of Canada (MAC), has been one of the leaders of *Towards Sustainable Mining* initiative which sets out to better define mining's contribution to sustainable development (www.mining.ca) Teck Cominco believes that the internal initiatives with which it is currently involved have proved to be good forums for helping the company define sustainability in the context of its own mining operations.

⁵ www.iiied.org/mmsd

3 The Pend Oreille Story

Corporate social responsibility (CSR) is closely linked to sustainable development, and, like sustainable development, a company's understanding and implementation of CSR can be viewed as a journey. Teck Cominco's commitment to CSR and its evolution are perhaps best illustrated by its actions at the Pend Oreille Mine development, located just south of the Canadian border in Washington State.

Jane Reed is the Mayor of Metaline Falls, a town of 235 people near the Pend Oreille Mine development. Unemployment in the region is high; with jobs coming from the forest service, two dams, local road crews, local artisans, and since the September 11th terrorist attacks against New York City and Washington, DC, there is an expectation that employment in border patrol will increase. According to Mayor Reed, the region has gone through a number of boom-bust cycles (the former mine; forestry; and a cement factory that closed) so that when Teck Cominco acquired Pend Oreille in 1995, although people were excited about the prospect of jobs at the mine, many were sceptical taking an "I'll believe it when I see it" attitude. According to Mayor Reed what was different this time was that Teck Cominco was very open with the community and expressed a desire to work with it to avoid another boom-bust cycle.

Dave Godlewski is a geologist from Spokane, who was hired by Teck Cominco to secure the permitting for the Pend Oreille Mine. In working through the numbers, Teck Cominco realized that the mine would be short-lived, on the order of 10 to 12 years, and therefore the impact on the community near the mine would be significant—an influx of people for a short period of time, leading to the typical boom-bust economic environment. The company wanted to mitigate or prevent this impact as much as possible. Initially led by Dave Godlewski, Teck Cominco went about doing this by asking themselves the question: What does the community want? They believed that answering this question would help them figure out what they can be doing today to ensure they have a sustained positive impact on the community. They decided to approach the community early in the development process and initiate a dialogue to determine ways that the company could support the development goals and objectives of the community.

In 1998, Teck Cominco approached Mayor Reed and the City Council of Metaline Falls and proposed that they constitute a committee with as broad a representation as possible. The council struck a committee of 10 to 15 people with representatives from the arts community (which had sprung up since the closure of the last mine), local environmental groups, Teck Cominco, the school system, governments, chambers of commerce, forest service and others. The role of the committee was to develop a plan for how the community could develop in tandem with the mine and to play a liaison role between the community and the company. Working with a professional planner, hired with support from the state government, the committee developed an economic development plan for the community. The company provided resources in the form of labour

hours to support this process, and was also an active participant. The plan that emerged from this process outlined community economic development goals and objectives and identified ways in which the company and the development of the mine could help in achieving those goals and objectives. According to Mayor Reed, “Teck-Cominco has been instrumental in the development of the community's plan to mitigate the anticipated boom-bust cycle related to the opening and closing of the Pend Oreille Mine. This planning process, along with Teck-Cominco's open communication with the community, is actually benefiting us in ways beyond our initial goals.”

For example, the community had identified a desire to build infrastructure to support an arts centre that would provide some economic opportunities. The company is looking at ways in which mine infrastructure can be used to support an industrial arts facility once operation ceases. To support the community's desire to hire locally, the company has initiated a project with the state-level department of employment to develop a local job bank for the community to facilitate local hire by Cominco's contractors.

While the committee originally started out looking at impacts on the community, its mission has broadened over time to become an important mechanism for dialogue on a wide range of issues of interest to the community. For example, closure planning has already been initiated, although the mine has not started production. Moreover, the Committee has continued to meet on a regular basis even though mine development has been delayed due to low metal prices (opening is now slated for January 2004). While delays in opening the mine have been disappointing to the community, ongoing communications from senior staff (i.e., mine manager) to the community via the local newsletter have kept everyone aware of how the project is progressing. According to Mayor Reed, “the company has been a wonderful resource to the community; they offered labour hours, and participated actively in the meetings”.

The good will generated between the company and the community through the economic development planning process has also helped build trust, which has been critical to the success of other stakeholder engagement activities. In particular, the trust that was built through the economic development planning process has supported dialogue with the local environmental community and helped in working through their concerns about environmental impacts. According to Dave Godlewski, the original dialogue with the community enabled other dialogues that reduced the level of confrontation of the mine development to “just about zero”.

For example, the main concern of local environmental groups has been related to levels of metals that would be expected in water as a result of mine development, even though these would be within the limits required by the permits. Through dialogue with the local environmental groups, the company has agreed to look at reducing metal loads, voluntarily, to below those required by the permits. The environmental community will be working with the company to ensure these lower limits are met. The agreement with the groups is still informal, but the company will be moving towards formalizing the agreement.

This agreement is significant as, under US law, while permits may be granted, they can also be challenged in court. Such challenges can lead to significant delays for project proponents. The time and legal costs associated with such challenges can change the economic viability of projects to the extent that they may not go ahead. Teck Cominco cites another mine where seven years and over US\$30 million were invested in a mine that never opened. In the case of Pend Oreille, the company has invested approximately US\$1 million and two years of time.

The agreement, developed by the company and the environmental community, has also been noted by regulatory agencies. The lack of conflict associated with arriving at the draft agreement and the willingness of the company to explore new ways of doing business has encouraged a relationship of collaboration between the company and regulators. This is another relationship that will no doubt assist the company as it works to meet its regulatory obligations in the future. At the same time, there are still people who are sceptical, believing that the company is taking this approach with the community only to help with permitting processes. In this context, Teck Cominco's commitment to following through on the voluntary agreement will be critical to maintaining existing relationships.

According to Teck Cominco, while effective stakeholder engagement processes have a clear benefit to companies in terms of dealing with regulatory processes, progressive approaches to stakeholder engagement are not just about expediting the process. Effective engagement helps build relationships that support the resolution of other issues that inevitably arise over time. This assessment is supported by the comments of Mayor Reed who found "the company's approach was very unique; none of the businesses that have been in the area were nearly as community-oriented as Teck Cominco". She also noted that a key success factor was Teck Cominco's openness and a "let's work together" attitude. She credits this attitude with changing the whole dynamic of the traditional relationship between mines and environmentalists. Godlewski concurs with Mayor Reed's assessment. For him the process reframed the entire debate from "bad mining" and jobs versus the environment to a debate on how "the mine could contribute to the social health of the community" (which includes environment). The process also helped the company better understand sustainable development. At Pend Oreille, they have a good relationship with both the community and environment groups.

While a lot of credit goes to the original community liaison person Godlewski, Teck Cominco has helped ensure these relationships are maintained by providing a smooth transition between him and the new mine manager Mark Brown who is "always available".

The integrity and the quality of Teck Cominco's engagement with the community around the Pend Oreille development is impressive and unique in that it has focused on how a mine can contribute to the social health of a community rather than on the traditional debate of jobs versus the environment. It has worked well so far partly because the goals of the company and the community are supportive of each other. While the mine will not operate forever, it will help

foster the development of local capacity (i.e., knowledge and facilities) which will help the local economy sustain itself after the mine has closed.

4 Teck Cominco's CSR Journey

The Pend Oreille story is one of the more recent examples in the evolution of CSR at Teck Cominco. This evolution has taken place over a number of years and can be traced back to the company's roots in the communities in which it operates. A number of factors and events have significantly influenced Teck Cominco's steps along the way. While many companies begin their CSR or sustainability journey because of a watershed event (e.g., a breakthrough innovation) or as the result of crisis (e.g., the need to eliminate CFCs), Teck Cominco's journey has been strongly influenced by the co-development of the company and the community at Kimberley which supported the development of its first mine the Sullivan Mine. This relationship has shaped Teck Cominco's philosophy regarding CSR, environmental management and community development.

The major phases of the Teck Cominco's CSR journey are described below.

Culture of Responsibility

Teck Cominco has had, since its early days, a culture of responsibility. This culture grew out of the mutually beneficial relationship between the growth of the company and the growth of the community of Kimberley which developed around the company's Sullivan Mine. The company—Cominco at the time—understood the importance of this relationship and gave it recognition through a strong commitment to ensuring the community's well-being.

Historically, this culture of responsibility assisted in attracting people to Kimberley, a community that was isolated and which, at the time, had few amenities. Over the years, this culture has helped the company develop relationships with other communities in new areas of development, such as with the Northwest Alaska Native Association (NANA) regarding development of its Red Dog Mine.

Teck Cominco has learned from its long history with the Sullivan Mine that responsible companies—ones that listen to and work with communities—are able to obtain and maintain their social license to operate. In this context, the culture of responsibility that has existed at Teck Cominco since its early days has provided a foundation for the policies and programs that have evolved into the CSR policies and programs that exist today.

Regulatory Environment—1990s

The evolution of CSR policies and programs at Teck Cominco has also been influenced by changes in government policy and regulation. Teck Cominco notes two key events that have influenced the rate and direction of policy development at the company. The first of these was the federal government's response to the Rio Earth Summit in 1992, which manifested itself through

increased compliance and enforcement efforts. At the same time, the newly elected government in British Columbia undertook a number of land use planning and environmental policy initiatives. These initiatives required the participation of companies such as Teck Cominco and were also significant in their potential impact on where and how the company conducted its business operations. Combined, the two events led to increased friction between government and business in British Columbia over environmental and resource management issues. In response to these influences, Teck Cominco decided to focus its efforts on building cooperative relationships with government and communities. In support of this approach, Teck Cominco undertook a number of actions.

As a first step, Teck Cominco developed a discussion paper⁶ outlining the company's approach and commitment to environmental stewardship and collaboration with government and communities. This document also stated the company's commitment to sustainable development, pollution prevention, the development of partnerships, and the need to identify common goals and other building blocks of a collaborative approach to balancing social, economic and environmental goals.

The second step was to participate in the Pollution Prevention Demonstration Project initiated by the BC Ministry of Environment, Lands and Parks and which involved the Canadian Chemical Producers Association and six companies in British Columbia. The program sought to define voluntary measures for reducing permitted discharges from participating companies. In return, the companies were subject to less onerous regulatory requirements and, in some cases, realized process efficiencies and cost savings.

In addition, over the next five years, Teck Cominco maintained its commitment to working internally and with the provincial government to strengthen its multi-stakeholder processes such as those supporting the eventual closure of its Sullivan Mine (i.e., mine closure planning, community indicators, community economic development activities).

Teck/Cominco Merger

The 2001 merger between Teck Corporation and Cominco Ltd. was an important step in the advancement of CSR policies and programs at both companies. While the merger supported specific business objectives of the two companies, it also required the integration of policies from two different organizations. This offered an occasion to review and refine existing policies and programs in a comprehensive manner. It also provided an opportunity to examine and evaluate sustainability and CSR initiatives emerging within the sector, both domestically and internationally. While many of the specific programs in place at Teck Cominco today were in existence prior to the merger, the merger and policy review resulted in the introduction of CSR and sustainability into the company's corporate policy whereas in the past it had been oriented towards environmental stewardship.

⁶ *Cominco. 1993. Environmental Protection: Balancing Environmental, Social and Economic Goals.*

The merger has also initiated a change in the way that Teck Cominco defines itself as a company, although this is not yet explicitly stated in current policies. According to Dave Parker, Teck Cominco's Manager for Regulatory and Public Affairs, there is a growing recognition that the "value proposition of the company is in the utility of its products". From this perspective, Teck Cominco's scope of activities can build on traditional strengths in exploration and mining and expand to include being a resource management and materials company. This is a critical distinction, as moving beyond being solely a commodity producer opens up new business opportunities for developing products and services tailored to the needs of customers and consumers. It also helps focus research initiatives to develop clean technologies and design innovative production processes that can integrate recycled and residual materials as feedstocks. This will allow Teck Cominco to develop programs and initiatives that address the life cycle management of products, and in particular, sustainability issues related to the use and disposal of products that utilize commodities that Teck Cominco traditionally provides.. This approach gives Teck Cominco greater opportunities to advance its business objectives and its commitment to sustainable development.

5 Corporate Social Responsibility at Teck Cominco

"Companies are responsible to their shareholders to produce an adequate rate of return through activities which are lawful, environmentally sound and morally acceptable. By fulfilling this responsibility, a corporation can sustain its operations, reward the support of its shareholders and contribute the maximum possible to society's well being".

David Thompson
CEO and Deputy Chair of the Board

Teck Cominco's corporate social responsibility programs and initiatives flow out of its corporate responsibility⁷ policies, which were developed in 2001 in conjunction with the merger between Cominco Ltd. and Teck Corporation. The company's main CSR policies include: its *Charter of Corporate Responsibility* and its *Code of Business Practices: Environment, Health and Safety*.

⁷ Teck Cominco prefers the term corporate responsibility (CR) to corporate social responsibility (CSR) to describe its activities. Both CR and CSR build on the idea that corporations have responsibilities beyond those to their shareholders. However, the absence of "social" from CR recognizes that other institutions (such as governments) bear primary responsibility for ensuring social well-being. While Teck Cominco is strongly committed to supporting the efforts of its communities to address social issues and build sustainable communities, it believes that governments have a leading role in this area. In the context of CR, Teck Cominco works to support and collaborate with communities in development of leadership at the local level (rather than taking leadership) and, in this way, contributes to broader government objectives related to community development. This is viewed as particularly important in mining communities. Since ore bodies are eventually exhausted and all mines close, it is vital that the leadership capacity necessary to sustain a community exist independently of the mining entity.

A *Charter of Corporate Responsibility* was approved by its Board of Directors in February and further improved in November of 2002 and consists of six commitments which guide the company's activities. The Charter states that:

Teck Cominco is committed to conducting its business in an honest and ethical manner. We are committed to protecting the health and safety of our employees, and the environment in the communities where we work.

We are committed to providing a workplace free of discrimination where all employees can fulfill their potential based on merit and ability.

We strive to deal with everyone in a fair and open manner and our employees strive to conform to the spirit and intent, as well as the technical requirements, of all contracts we enter into and all laws, regulations and rules which govern us.

We support sustainable development and we willingly accept our obligation to constantly improve our methods of harvesting the world's resources to the benefit of our shareholders, employees, customers, local communities and all others who use or enjoy nature's bounty.

We value our reputation and the trust and confidence placed in us. If a problem arises we will deal with it in a lawful and proper manner, we will act to alleviate it and we will respond with support to those affected. Our mandate is to create value for our stakeholders while continually improving our performance as a good corporate citizen and a leader in our industry.

We take these commitments seriously and our management and Board of Directors will make every effort to foster a culture at Teck Cominco to support and honour them. We will communicate to all our employees, officers, directors and other representatives that Teck Cominco expects and requires that their actions and conduct comply with this Charter and all policies undertaken to further its objectives.

As a means to implementing its *Charter of Corporate Responsibility*, Teck Cominco has established a *Code of Business, Environmental and Health and Safety Practices*—The Code consist of 11 policy statements (listed below) that build upon the Charter commitments. These policy statements are consistent with the strategic commitments in the Charter, but are more specific and focused on operational activities at the community level. Every employee at Teck Cominco is expected to understand the Code and to know what is expected of him or her to implement it.

To implement its Charter of Corporate Responsibility, Teck Cominco will:

- 1. Obey the law and conduct all business in an ethical manner, meeting or exceeding Teck Cominco's Standards of Business Ethics.*
- 2. Ensure that no discriminatory conduct is permitted in the workplace and that all decisions on job selection, advancements and promotions are unbiased and based solely on merit and ability.*

3. *Strive to identify and eliminate or control all safety and health hazards and monitor worker health performance to continually reinforce a company-wide commitment to excellence.*
4. *Conduct its operations in a sound environmental manner, seeking to continually improve its performance and incorporate policies for pollution prevention and waste minimization into its daily actions.*
5. *Conduct regular environmental, health, safety and emergency preparedness audits and identify and resolve all short-comings.*
6. *Continually improve its environmental, health and safety management systems, policies and controls, ensuring that these are fully integrated into each operation's business plan.*
7. *Include, as a critical component of all development projects, plans to return the project property to a natural state after the resource has been exhausted.*
8. *Encourage the safe use, reuse and recycling of its products.*
9. *Support and conduct research to improve environmental, health and safety performance at its operations and to enhance its products for the economic, social and environmental benefit of people everywhere.*
10. *Foster open and honest dialogue with all of its stakeholders, respect the rights, interests and aspirations of local indigenous people and seek out and listen to those in the community who are affected by its operations.*
11. *Support local communities and their development by seeking locally-sourced goods and services and employing local people.*

To ensure that employees have quick access to these key documents, Teck Cominco produces a business-sized card with the Charter on one side and the Code on the other.

Teck Cominco's Corporate Responsibility (CR) policies do not include a formal "vision" or mission statement. A statement in the introduction to its 2001 Sustainability Report summarizes the company's approach to CSR and sustainability: "At Teck Cominco, we believe that sustainability in the mining and primary metals industries can be best achieved through the application of the three following principles:

1. **Product Stewardship**—encouraging the responsible use, re-use and recycling of our products;
2. **Environmental Performance**—minimizing negative impacts by developing, operating and closing mines responsibly, preventing long-term negative environmental legacies and promoting productive land use on closed mine sites; and,

- 3. Respect for Communities**—being an active partner in the communities in which we work, participating in community affairs in a constructive manner by capacity building and supporting local institutions in order to ensure long-lasting sustainability after we are gone.

Building on this, a recent statement by David Thompson, Deputy Board Chairman and Chief Executive Officer (CEO), captures the intent of Teck Cominco's CR policies and programs: "Companies are responsible to their shareholders to produce an adequate rate of return through activities which are lawful, environmentally sound and morally acceptable. By fulfilling this responsibility, a corporation can sustain its operations, reward the support of its shareholders and contribute the maximum possible to society's well being". Such statements send a strong message with respect to the extent and nature of Teck Cominco's commitment to CSR. This statement is unique in that it introduces somewhat subjective language (i.e., adequate returns and morally acceptable activities) into describing the context in which businesses operationalize CSR.

Application of Policy Across Teck Cominco

Teck Cominco's CR policies apply across the corporation irrespective of the country of operation and apply to projects where Teck Cominco may be part of a partnership or consortium of companies (e.g., Antamina). In such cases, Teck Cominco has typically partnered with companies that have similar approaches towards CSR. As such, acting in a way that is consistent with Teck Cominco's CR policies has not been a challenge.

Where Teck Cominco has encountered challenges in implementing its CR policies is where it contractors have provided good and services. In some cases, Teck Cominco has chosen to switch companies providing goods and services in order to ensure that its CR policy objectives are being achieved. In other cases, it is the job of Teck Cominco staff at the operational level to ensure that contractors are conducting business in a way that is consistent with the company's policies.

While Teck Cominco's policies are applied across the company's operations, they are often modified to meet the needs and capacity of the communities where they operate. The company believes that, in order to be effective, specific CR programs must be designed in a way that acknowledges and builds upon local needs and local capacity. This is especially the case in the context of approaches to stakeholder engagement or community economic development.

Organizational Structure

CR policies and programs are under the guidance of the Corporate Environmental and Risk Management Committee (CERMC). This Committee is composed of the president, senior vice-presidents (VPs) and chaired by the CEO. It meets quarterly and reports to the Board. The Committee oversees CR planning and provides direction on the implementation of CR programs at the operational level. Direction from the CERMC to specific operations tends to be generic allowing individual operations to take a leadership role in designing and implementing CR programs to fit local circumstances. Operations managers have objectives, some of which reflect

corporate CR and environment objectives, which in turn are linked to their performance review and compensation processes. Supporting company management and employees in implementing CR policy is the responsibility of the Environment and Corporate Affairs Department and management personnel at each of Teck Cominco's operating sites.

Initially, the planning and implementation of some CR policies and programs proved challenging for an organization with "tried and true" practices. However, these initial hurdles have been overcome with senior management support, changes in organizational structure, awareness programs and learning from successes and failures. Today, Teck Cominco is able to continually improve the way it plans and implements CR initiatives by involving employees in all phases of the planning and delivery of CR initiatives.

The organizational structure within Teck Cominco is designed to bring different parts of the organization together to avoid operating in "silos" as is common to many large organizations. This "cross-functional" approach takes place across the company from the CERMC down to operational teams focusing on exploration, development and closure, and ensures that CR is integrated into day-to-day decision making.

All business units—from finance, through marketing, to product development and procurement—work together in implementing CR-related projects and are required to consider CR policy objectives in their daily activities. In this way, CR is not the job of the "CR department" but rather everyone's job. In order to ensure that CR policies are being adhered to and programs effectively implemented, Teck Cominco has a number of auditing initiatives in place to ensure that various CR policies are having the impact intended when the policies were developed.

A good example of Teck Cominco's approach to planning and implementing CR programs is the way that it approaches product business development. Teck Cominco's approach to developing potential business opportunities is led by the Product Business Development Team which examines potential business opportunities from a diversity of perspectives (e.g., fiscal, legal, environmental, marketing, health and safety) to ensure they are consistent with Teck Cominco's CR policy objectives. The team is composed of individuals from different operational units with expertise in different areas and helps to ensure the potential business opportunities can be developed in a way that meets multiple objectives (i.e., environmental, social and economic objectives). In addition to planning and delivering CR programs, the team also provides an excellent forum for feedback to the CERMC on changes or improvements to CR policy.

6 CSR Program Areas

CSR issue areas that are most explicitly identified in Teck Cominco's policies and programs relate to: employees, community, broader society, stakeholders, environment, corporate reporting and product stewardship. While Teck Cominco has programs in all of these areas, the following

section will focus on CSR areas where Teck Cominco is demonstrating leadership and has progressive or innovative programs in place.

6.1 Community Development and Broader Society

One of the areas in which Teck Cominco demonstrates leadership is that of community development and its contributions to broader society. As Teck Cominco's stakeholder engagement and community development processes are somewhat difficult to separate from one another, a number of examples from Teck Cominco's Red Dog, Sullivan and Antamina Mines are discussed below to illustrate the company's activities in these two CSR areas. These programs are unique to the communities in which they have developed, but are nevertheless consistent in their focus on working with communities to address social and economic well-being. While addressing the concerns of specific communities, many programs have also provided a benefit to broader society and may be helping to define progressive and equitable community and regional development practices. The Red Dog Mine is an excellent example of the relationship between Teck Cominco and the society in which it operates. At the Red Dog Mine, the company is collaborating with the NANA people of Alaska to address a whole range of regional, social and environmental issues.

Red Dog Mine: Teck Cominco and the Northwest Alaska Native Association (NANA) Regional Corporation.

The Red Dog zinc/lead ore deposit, located 1000 km north of Anchorage, Alaska, provides an interesting case study in CSR in the context of working with indigenous peoples. It is part of a 120 square mile block of land that was selected in 1980 by the Northwest Alaska Native Association (NANA) Regional Corporation as part of a land settlement claim. At around the time, Teck Cominco (Cominco at the time) had already established an interest in the area. Realizing the development potential of the land involved the establishment of a partnership between Teck Cominco and NANA.

NANA was created to represent the Inupiat people of Northwest Alaska as part of the 1971 Alaska Native Claims Settlement Act to settle the land claims of Alaska Natives. NANA Regional Corporation, which represents 7,500 people in 11 villages, provides a strong, united voice on issues in the region. The corporation manages land and cash resulting from the 1971 settlement and has investments in ventures ranging from tourism to mining. The profits of the corporation are shared with NANA shareholders (i.e., residents). The main governing body in the region is the Northwest Arctic Borough, which has authority over education, taxation, planning and zoning.

The Red Dog partnership developed out of a long period of meetings in order to reconcile the interests of NANA and the company. In addition to having to address issues related to NANA's control over the area, the company also had to address a climate and culture that was foreign to most of its staff. The Inupiat people and their ancestors have inhabited the NANA region for more than 10 000 years and rely heavily on subsistence hunting and fishing which are part of the

economic, social and cultural fabric of their communities. NANA also conducted meetings in the villages throughout the region, seeking consensus on whether to allow mineral development. While some expressed concern, the majority of NANA shareholders wanted the opportunity to pursue development of the mine.

In 1982, NANA and Cominco signed the Red Dog Development and Operating Agreement, which took the form of a lease with wide-ranging provisions and commitments during the development and life of the mine. The agreement addresses a broad range of issues related to the operation of the mine, including environmental and wildlife management issues, and provides NANA shareholders with employment and training opportunities while protecting the subsistence lifestyle of the people of the region.

Under the terms of the agreement, the company financed, constructed and now operates the mine and mill, and markets the concentrates produced. The company also assumed responsibility for employing and training NANA shareholders to staff the operation. Upon signing, NANA received US\$1.5 million, and an additional US\$1.0 million plus a general cost escalator, each year until the mine went into production.

Once production at the mine began in 1989, NANA began receiving 4.5% of the net smelter return. After capital investment is recouped, NANA will start sharing in the net proceeds, beginning at 25 percent and increasing by 5% every 5 years until NANA and Teck Cominco share equally in the profits.

In order to address concerns about maintaining the subsistence lifestyle and culture of the Inupiat people, the Red Dog operating agreement called for the establishment of a “subsistence committee” comprised of eight NANA shareholders from two of the closest villages. This entity has the power to shut down the transportation road between the mine and the port during caribou migration. It also establishes the date for the start of the shipping season based on whale migration patterns in the Chukchi Sea.

The Red Dog agreement also provides for education, training and employment of NANA shareholders. Education initiatives include: full scholarship programs for NANA shareholders who want to go to university to pursue studies which could lead to employment in the mining operation; apprenticeship programs for trades such as heavy duty mechanic, electrical, millwright and power generation; job shadow programs which introduce students at the grade 10 level to the work opportunities in the mine.

Today over 60 percent of the total workforce at Red Dog are NANA shareholders. Wages to these employees exceeds US\$18 million annually. The goal of 100% shareholder employees at Red Dog by 2001 has not been met, but continues to be pursued by the company and NANA.

So far, the agreement has allowed Inupiat employees to continue their traditional life style, by instituting work schedules that accommodate hunting, whaling, fishing and berry picking seasons.

One of the keys to the success of the partnership between NANA and Teck Cominco has been clarifying ownership rights and obligations, which has allowed the negotiation of equitable sharing of financial benefits.

The company's work with NANA at Red Dog has given it the experience necessary to create successful relationships with other aboriginal groups such as the Ross River Kaska Dena at the Kudz Ze Kayah project and the Liard First Nation at the Sa Dena Hes Mine, both in the Yukon Territory. In both projects, socio-economic participation agreements were successfully negotiated to meet the expectations of parties in areas management advice, training and education, employment opportunities, business creation and capacity building, and environmental management.

Sullivan Closure—Addressing Environmental and Economic Issues

The closure of mines is typically associated with two events: the beginning of the end for local economies and communities; and the beginning of ongoing conflict over environmental issues associated with closure. In the closure of Teck Cominco's Sullivan Mine in Kimberley, British Columbia, the company believes it has learned some lessons that may help to change this pattern.

Until its closure in 2001, the Sullivan Mine had been one of the most important mines in Canadian history. The mine was consistently one of the world's biggest producers of lead and zinc since it began operations in 1909. Over the years, the relationship between Teck Cominco and the community of Kimberley evolved from one of "benevolent paternalism" in a company-town with a strong dependency mindset to one of cooperative collaborator within a community that had taken control of its future⁸.

In terms of addressing community concerns about environmental issues associated with mine closure, Teck Cominco provided significant opportunities for community involvement in determining how mine closure would proceed. A key mechanism supporting this process was a stakeholder group/process known as the Sullivan Mine Public Liaison Committee (SMPLC). This joint community-regulatory group included representatives from the community, environmental groups and government. Chaired by a government official, the SMPLC provided a forum where people could receive information about closure plans and work towards decisions by consensus on the best way forward.

Implementation of the plan was originally estimated at \$20 million. The finalized plan—completed in 2001—will see reclamation spending exceed \$70 million, which will focus on recreating useful natural habitat in areas affected by the mine. In addition, the company will retain infrastructure and staff in order to manage water treatment facilities on an ongoing basis. The final plan has received widespread recognition from regulatory agencies and local ENGOs (e.g.,

⁸ Corporate and Social Corporate and Social Responsibilities. Patricia Dillon and Doug Horswill Teck Cominco Limited. 2002 Business Ethics Conference Calgary, May 2002

East Kootenay Environmental Society) which provided significant input into the development of the plan. Part of the success of the plan, in terms of the environmental objectives achieved and the support of stakeholder groups, has been the time committed to closure planning. Initiated in 1991, the planning process took approximately 10 years to complete and provided significant time to explore complex issues and arrive at solutions that met the needs of all interests.

The success of the SMPLC in providing a forum for dialogue on the closure plan has led to efforts to establish a similar body to assist with public liaison around the operation of the company's Elkview Mine near Sparwood, British Columbia. As a first step in setting up a committee for the Elkview Mine, Teck Cominco has established an office in Sparwood, which is staffed once a week by senior management and environmental personnel who are available to discuss mine operation issues with the public.

In addition to trying to address environmental issues, Teck Cominco has also set out to address some of the economic impacts that will be felt by the local community. In 1990, an 'indefinite closure' of the mine due to poor world mineral prices focused the town on the realities of 'life after the mine.' Similar to the Pend Oreille community development approach, the company has been an active player in the planning process and has provided a variety of financial, technical, and infrastructure support.

In terms of impacts on the community, where many people continue to live, the closure of the Sullivan Mine has resulted in the municipality of Kimberley losing \$2 million annually from its tax base. One initiative Teck Cominco has pursued in order to address this issue is a joint venture housing development project. Working with a developer and the community, the Forest Crown development will contain 1000 units of housing, which are intended to provide other revenue streams for the community.

Lessons Learned from the Sullivan Mine

- Community and company mindsets had to change
- Community consultation is critical
- Plan for closure well in advance
- Broaden tax base, new employment options
- Wealth of indicators, dearth of data
- Governments had to be involved

To support this initiative, Teck Cominco has provided land, and undertaken rezoning and some land exchanges. While the project provides some revenue stream to Teck Cominco, its main impetus was a sense of obligation to the community that helped build the company and to its employees who, having spent their entire careers in Kimberley, will remain after retirement. Additional benefits of the project are that it ensures infrastructure will be in place to support long-term water treatment operations and demonstrates a new model for what mine decommissioning can look like. In the mining sector, initiatives like this could help address bonding issues and give communities greater confidence in companies.

The company's goal, in the case of the Sullivan Mine was to convert natural capital—ore in the ground—to financial, social and human capital that will sustain the community for years to come.

Yet the transition has been and continues to be difficult. And while initiatives such as Forest Crown appear as “success stories” today, the true measure will be the health of the community’s economy down the road. Moreover, the company readily acknowledges that its “successes” have been possible because of partnerships with government, the initiative of local leaders and support of the community.

Antamina—Community Development and Stakeholder Engagement in a Joint Venture

“Education, training and employment opportunities do more in the long run than any other activities to contribute to the sustainability of an area”

Patricia Dillon and Doug Horswill
Teck Cominco
2002 Business Ethics Conference

The Antamina Mine in north-western Peru is expected to produce an average of 675 million pounds of copper and 625 million pounds of zinc annually over its first 10 years of production, and will have a mine life in excess of 20 years. Ore produced at the mine is processed into concentrate and transported to port via a 300 km pipeline.

The Antamina project in Peru has a number of CSR initiatives, focused on stakeholder engagement and community development. While consistent with Teck Cominco’s CR policies, these programs are unique to the circumstances of the operation. One of the unique aspects of stakeholder engagement and community development initiatives associated with the Antamina operation is that they are implemented in the context of a partnership. At Antamina, Teck Cominco is one of four partners that include Noranda Inc., BHP-Billiton and Mitsubishi Corporation. Additionally, the geographic scale of the mine infrastructure and the area of influence of the mine (i.e., 175,000 people spread over hundreds of kilometres), Antamina presents challenges in terms of identifying and engaging the various communities of interest.

From the outset, the partner companies adopted the *Social Responsibility Code* of the International Council of Metals and the Environment (ICME). Elements of the Code that have determined the way in which project partners engaged the community include:

- Respect for the individual, culture and customs.
- Commitment to integrate the company’s objectives with local, regional and national objectives.
- Recognize local communities, the population in general and their authorities as valid spokesmen, to maintain an ongoing process of communication and consultation; and

- Commitment towards the communities' sustainable economic and social development throughout time.

Complementing the spirit of the ICME Code, the implementation of specific projects is governed by five operating principles including:

- Avoid paternalism in every possible way;
- Supply the tools for the individual and collective development of communities;
- Attract the governments' and agencies' efforts;
- Complement, not replace, the government actions; and
- Respect local culture, customs and values.

As with other Teck Cominco projects, the communities associated with Antamina have led the community development process. The community approved the development plan and budget and monitors its implementation. Supporting this process is a Local Development Committee, which includes all the stakeholders with Compañía Minera Antamina (CMA) acting as a facilitator.

Specific objectives of the community development program are to improve living standards, education levels and health services; contribute to increased agricultural yields and improve diversity; promote the development of small companies to provide services to the mine and other enterprises in the area, and to enhance cultural activities ensuring the rich heritage of the region is preserved and celebrated.

Public consultation has been a critical part of the community development process in terms of identifying community development objectives that are supported by local communities. Many of these consultation programs have been undertaken by non-governmental organizations that have also played a lead role in delivering community development programs.

Currently there are more than 15 projects with budgets ranging from US\$3000 to US\$1,130,000 underway. Ensuring that all of these activities are properly resourced has been a challenge that has been met partly by obtaining support from international agencies such as CARE and the United Nations Development Program (UNDP) to complement the resources put forward by communities and the partnership of companies involved in the project.

Examples of specific community development initiatives that have been supported by the Antamina partnership include the following:

Environmental Monitoring Programs. Where communities are concerned about water quality and quantity, regulators and community representatives are involved in monitoring programs in order to increase awareness of water quality monitoring procedures. Similarly, Antamina's annual

aquatic life monitoring program involves representatives of local communities to observe and participate in monitoring activities. Such programs, in addition to building capacity and awareness, also help to give the results of such programs credibility.

Educational Programs. In order to build community level capacity—some of which directly benefits the company—the Antamina project has a number of educational initiatives. For example, a technology training centre has been established to train teachers, secondary and primary school students and local people in basic computer and office techniques. As well, a hotel and restaurant training program has been developed to teach local youths skills in cooking, serving, hospitality and hotel services. Many of the graduates are employed at the mine site.

Community Health. In order to enhance health care services for local communities, the Healthy Community Program has been established. The program benefits employees of the project as well as the population of the local communities in general. The program includes the organization of Local Health Committees in 23 communities and has resulted in the donation and purchase of medical equipment for health facilities and established a diagnosis and training plan for the provision and local management of health services.

Agriculture (Shahuanga Experimental Farm). To assist in diversifying the local economy, the Antamina project has supported the establishment of the Shahuanga Experimental Farm which has helped to establish pasture fields, organize training courses and facilitate herd enhancement. The objective of the project is to improve the standard of living of the local shepherds, and by doing so, to help strengthen the local economy over the long term

At Antamina, the challenge has been to identify and engage a large and diverse group of interests, many of which have somewhat different expectations of the company. Meeting this challenge has been facilitated by effective consultation that has helped the company understand the needs of local communities. As in Teck Cominco's other projects, ensuring that local communities see financial benefits and letting them take the leadership role in community development are other keys to success in Antamina. While working in a partnership, Teck Cominco appears to have been able to implement community development and stakeholder engagement processes that are consistent with its own CR policies. The Antamina project, like other Teck Cominco projects, includes a strong focus on supporting the development of community capacity through education, training and support for local infrastructure. And similar to the Red Dog mine in Alaska, understanding and supporting the local cultural has also helped in building strong relationships with local communities.

6.2 Reporting

Teck Cominco developed its first *Sustainability Report* in 2001, which is a significant departure from the operations-specific environmental reports that were done in the past. The 2001 report is structured around the company's *Corporate Responsibility Charter* and considers progress towards each of its seven commitments. In addition, the report examines and reports on the

environmental performance of each of its operations as well as progress in implementing programs focused on community development issues associated with Teck Cominco operations. The report is intended for a broad audience that includes employees, shareholders and communities where Teck Cominco operates.

While its 2001 Sustainability Report is based generally on the Global Reporting Initiative (GRI) sustainability reporting guidelines⁹, Teck Cominco has developed its own approach which links reporting back to its policy objectives outlined in the *Charter of Corporate Responsibility* and *Code of Conduct Environment, Health and Safety*. Where markets forces and sectoral momentum make it practical to “sign on” to such standardized approaches (e.g., GRI), Teck Cominco will consider doing so. In the interim, Teck Cominco tries to ensure its reporting program is consistent with the approaches being utilized by its peers within the sector. Because it links directly to its *Charter of Corporate Responsibility*, the reporting framework adopted by Teck Cominco is effective for communicating progress to regulators as well as to the company’s shareholders, stakeholders and employees.

In addition to its own corporate sustainability reporting activities, Teck Cominco is involved in a number of governmental reporting initiatives linked to specific environmental issues. These include: the National Pollutant Release Inventory (NPRI), Voluntary Challenge and Registry (VCR), Accelerated Reduction and Elimination of Toxics (ARET) and, in the USA, the Toxics Release Inventory (TRI).

Sustainability Indicators

One challenge facing Teck Cominco in the area of reporting is measuring the success of its efforts to improve social and economic conditions in communities adjacent to its operations. Better understanding the effectiveness of Teck Cominco’s programs in this area is essential to managing improvement over time. To support progress in this area, Teck Cominco has initiated the development of a basic set of indicators to help measure, track and benchmark sustainable development in a way that is meaningful to the community of Kimberley, Teck Cominco and the mining industry as a whole. As with other company initiatives, this work has been undertaken in partnership with the community.

In order to initiate the process of developing the indicators—known as the Kimberley Community Sustainability Indicators (KCSI)—the company began by looking at what indicators were already being used in the mining sector. Specific indicators projects that were considered included sectoral initiatives (e.g., Mining Association of Canada Guidelines for Sustainable Development, the Australian Minerals Industry Code for Environmental Management) and non-sectoral work (e.g., Global Reporting Initiative indicators, World Business Council for Sustainable Development Matrix for Social Reporting, and the Federation of Canadian Municipalities Quality of Life indicators).

⁹ Global Reporting Initiative. 2000. *Sustainability Reporting Guidelines on Economic, Environmental and Social Performance*. www.globalreporting.org

Consistent with many of the initiatives noted above, KCSIs encompass the economic, social and environmental aspects of sustainability. Some of the key economic indicators explore further long-term trends in the local labour force, the extent to which mining has helped support diversification of the local economy, and investments made in local infrastructure. In terms of social performance, indicators focus on measuring education, social health, civic leadership and community engagement.

6.3 Employees

As a result of its work in developing sustainability indicators, the company, along with the World Bank and the City of Kimberley, co-chaired the Sullivan Round Table. This conference, which took place in November 2001, examined the role that mining can play in advancing sustainable development. To support the conference, Teck Cominco with support from Natural Resources Canada, commissioned research on sustainability indicators which could be used to plan and measure how mine operations can best contribute to community sustainability. Employees

Teck Cominco has a number of programs that address both employee issues (e.g., health and safety, harassment policies, diversity, performance bonuses linked to productivity gains) and community development issues (e.g., education and training). Like many programs at Teck Cominco, these programs are in general common to all operations but custom-tailored to specific operations. Some examples of these programs are discussed in the context of specific operations (e.g., Red Dog Mine). The following are some of examples of other employee practices that stand out from a CSR perspective.

Trail Shutdowns

In recent years, Teck Cominco has undertaken shutdowns of its metal production facilities at its Trail operation in British Columbia in order to sell power. During such shutdowns, care has been taken to ensure that employees are not adversely impacted. Employees have had their income protected during this period through access to vacation and opportunities to participate in maintenance work around the facility. A similar approach is being taken for a proposed shutdown at the company's facility in Cajamarquilla, Peru.

Health and Safety

In November 2001, Teck Cominco began a process of revising its health and safety policy, standards and guidelines. This process was in part initiated in response to the accidental exposure to high levels of thallium of 65 contract workers during routine maintenance of a boiler at the Kivcet smelter complex in Trail, British Columbia. The incident resulted in elevated levels of thallium in the blood of some of the workers. The company was quick to take responsibility for the incident. For the company, failure to identify the unexpected exposure served as a wake-up call to complacency in occupational health and safety procedures and to the need to revisit these on a regular basis, no matter how effectively they appear to be working. The company has since

adopted a new Health and Safety Policy, with a stated objective of zero incidents, which applies to all business locations irrespective of jurisdiction.

6.4 Environment

Like many companies involved in the natural resources sector, Teck Cominco has a number of environment-related programs in place. These include an environmental management system, environmental audits of facilities, environmental information systems that support corporate reporting and environment-related training and education for employees. However, where Teck Cominco may be distinguishing itself from some its peers in the mining sector is in the area of advancing product stewardship and life cycle management. As discussed earlier, Teck Cominco is beginning to expand its activities from being a provider of a commodity to becoming a resource management company that provides products and services that meet the needs of its customers.

This transformation began with recognition of what customers, consumers and society in general need—the utility that metal-containing products can provide, together with the sustainable management of resources. Through research programs at its Product Technology Centre based in Ontario, and its research facilities in Vancouver and Trail, British Columbia, Teck Cominco is expanding its product lines to include high purity metals for an array of applications that include hi-tech electronics, metallic energy and solar cells. In another area, the company is utilizing its primary product, zinc, to produce high-quality soil supplements for agriculture in areas where land is deficient.

Today, the company is working with a leading manufacturer of solar cells to integrate product lifecycle management. Under this arrangement, Teck Cominco will supply high purity metallic compounds necessary to manufacture solar cells and take back process wastes and end-of-life products and recycle them at its metallurgical facilities in Trail, British Columbia. The value-added service provided in business arrangements of this nature will serve as a model for resource management enterprise in the future.

Teck Cominco has a number of programs and mechanisms related to product stewardship. These include:

Product Stewardship System (PS²). PS² was established to advise customers on the safe use of Teck Cominco products and facilitate life cycle management of downstream products that use Teck Cominco's metals. PS² ensures that customers are aware of information required for safe use and handling of Teck Cominco products. A key tool in the PS² is the use of Material Safety Data Sheets (MSDS) to provide information on the use and handling of products and company contact information.

Product Stewardship Committee (PSC). The PSC is a cross-functional team that reports to the CEO. The PSC oversees the management of product information and provides guidance and direction on new product development. The goal of the PSC is to provide Teck Cominco with

products that offer value-added utility to customers and society while minimizing environmental, health, safety and product-related risks.

Product Business Development Team (PBDT). The PBDT creates business-case proposals prior to the marketing of products which are passed for review to the PSC and approved by the CEO. This internal approval process considers issues such as environmental and regulatory concerns, health and safety requirements, product life cycle management issues and the business case.

7 Key Drivers and Benefits for Teck Cominco

Corporate Social Responsibility—or Corporate Responsibility at Teck Cominco—has provided a number of benefits to the company. Some of these benefits are quantitative and have an impact on the bottom line of the company in terms of earnings. Others are more qualitative and more difficult to link directly to the bottom line.

Changing stakeholder expectations are the key driver that is encouraging Teck Cominco and others in the mining sector to rethink how they do business. Companies such as Teck Cominco are being asked to demonstrate their relevance to today’s society and their capacity to respect and protect values that are important to society.

At the same time, a number of other forces are at work. For example, shrinking resources and less reliance on command and control regulations by governments require—and reward—companies that are proactive and collaborative. Corporate Social Responsibility, as it has been articulated at Teck Cominco, has helped the company to develop respect and trust with regulators. It has helped to make regulatory processes more effective and efficient for the company, government and stakeholders.

For mining, as in many industries involved in the extraction and processing of natural resources, companies depend on a “social license” to operate, and CSR provides a framework to assist companies in thinking and behaving in ways that help them obtain and maintain the support of communities. Social license may not always be seen as important but, for Teck Cominco, social license equals business security, and CSR provides a number of tools for increasing business security. Similarly, a CSR approach has also helped Teck Cominco to minimize or manage risks that have a clear bottom-line benefit.

Teck Cominco believes that, in the future, leading companies with the best practices will have more opportunities than their competitors in terms of access to project opportunities and markets, community acceptance through “a social license”, resources and capital. In this respect, CSR—if committed to and effectively implemented—can give companies a competitive advantage.

In addition, CSR gives companies that want to be the best, an advantage in attracting and maintaining high quality employees. For future generations, CSR appears to be growing in importance as a factor that influences individual choices of where to work. In a labour market predicted by some to be moving towards shortages of certain types of workers, CSR may give one more advantage to companies wanting to attract the best talent.

Teck Cominco knows, from years of experience, that communities want to be listened to and that they want to be involved in decision making. The CSR approach taken by Teck Cominco has given the company a broad range of tools for working with communities in a way that meets the needs of both the company and its communities. In the case of Red Dog Mine, it can be seen that this model can be adapted to others regions and the indigenous peoples that inhabit these lands. In this context, the company can play a significant role, in partnership with other stakeholders, to address a broad array of regional and social issues.

8 Organizational Success Factors and Lessons Learned

At Teck Cominco, there have been a number of factors that have facilitated their success in implementing CR as well as a number of challenges that the company has encountered along the way.

Focus on the Community. Community level interactions are central to most of the successes that Teck Cominco has realized in developing and implementing CR programs. Community-level relationships are between people who know each other well and this allows for more and better understanding of viewpoints and issues. Such dialogue increases the opportunities to find creative solutions to difficult challenges.

Promote Leadership Development. Teck Cominco's philosophy is that "if you build capacity at the community level, communities will have the tools to succeed and grow and diversify after the company has moved on". Teck Cominco's community development and stakeholder engagement processes (e.g., Pend Oreille, Sullivan Mine, etc.) all demonstrate a commitment to leadership development and the benefits of these programs have helped meet the needs of the company, communities and regions in which they operate. In the case of the Red Dog Mine, this approach extends beyond individual communities to the region and the NANA people.

Learn from Successes. For Teck Cominco, certain projects have helped define what the company needs to do in order to do business in today's environment. Teck Cominco has taken the lessons from these projects and incorporated them in policies and programs that guide the company's future activities. According to David Parker, the experience and the lessons learned over time at Sullivan were transferable to Red Dog and other projects. In turn, the Red Dog experience has really helped focus the company on what they can do at a community and regional level. At Antamina in Peru, Teck Cominco understood the benefit of extensive community consultation, engagement and dialogue.

Individual Ownership. Many of Teck Cominco's successful CSR initiatives have been those where individual employees take ownership of corporate initiatives and make things happen. This is particularly true in the case of developing relations with local and indigenous communities, where individuals taking a personal interest have been critical to success. As David Parker notes, "you cannot develop programs to achieve this sort of personal commitment – it comes down to looking for those qualities in the people we hire."

Initiate Dialogue. When working with communities, it is essential that dialogue begin as soon as possible. This is especially the case with indigenous communities. Dialogue should begin prior to exploration so that people are involved from the beginning. This is a dramatic shift for mining companies who traditionally have operated "below the radar," but are now in a position of having to demonstrate their relevance to society. The Pend Oreille story provides a good example of this in action.

Consistency. One of the key challenges that Teck Cominco has faced, and one of the factors that has been identified when problems arise, is lack of consistency. Over time, across the life cycle phases of a project (exploration, development, closure), people change, and there is not always a consistent application of the company's philosophy around CSR. Management of longer-term projects also changes from time to time, and it is understandable that different people have different backgrounds, styles and priorities for management. Teck Cominco strives to create a culture of personnel who see the value in CSR.

Re-examine Policies and Programs Regularly. The employee safety issues related to the Thalium incident at the Trail Smelter were a shock to Teck Cominco. Teck Cominco had become complacent about its Occupational, Health & Safety programs. In the wake of the Thalium incident, they have reviewed their policy and made changes to the way health and safety issues are managed. However, the take-home lesson from this incident may be that all policy and programs need to be revisited on a regular basis.

Measuring Success. One area that Teck Cominco is working on is the establishment of measurable objectives against which to assess progress in advancing CR or community sustainability (e.g., Sullivan Roundtable, Kimberley Community Sustainability Indicators). This is particularly the case in the area of social and economic goals and objectives at the community level, which tend to be more ambiguous and harder to quantify.

Breaking Old Patterns. Becoming a more responsible corporate citizen is about examining the way a company operates and doing things in new ways as opposed to defaulting to "tried and true" practices. For example, while Teck Cominco is committed to using local suppliers, the old pattern among staff responsible for procurement has been to use suppliers that have "delivered" in the past. Today, to support the use of local suppliers, Teck Cominco procurement staff are brought in early in the mine development process so they understand the needs and capacity of the community and help educate local suppliers in terms of the needs of the company. This

process, while it helps meet policy objectives for the company, is not the traditional way of doing business.

Corporate Social Responsibility, as it is applied at Teck Cominco, is rooted in respect for people and communities, and, as the company has learned over a number of years in different operations around the world, this respect makes good business sense. From environmental groups to indigenous people, employees, municipal governments and regulators, Teck Cominco has learned that people who are respected develop trust in the company, and trust is the cornerstone of any business relationship. The respect Teck Cominco has shown stakeholders and the relationships it has helped develop have allowed the company to grow and prosper. This case study has highlighted three areas where Teck Cominco stands out—communities and broader society; stakeholder engagement; and, reporting. While these areas have been the focus of this report, Teck Cominco also has well developed activities in many other CSR areas such as environmental management.

In terms of challenges, Teck Cominco wants to develop a better understanding of the social aspects of its CR programs and operations. This is a challenge for CSR and sustainability work in general. Teck Cominco's efforts in developing sustainability indicators at the community level will no doubt add to the collective knowledge in this area. Teck Cominco is also committed to establishing more CSR-related targets and objectives, towards which progress can be tracked.

Like many companies, Teck Cominco would also like to develop a better understanding of the relationship between CSR and the bottom line. Teck Cominco's historic commitment to CSR has not been linked to a concern for the bottom line, but rather has grown out of mutually beneficial relationships with its neighbouring communities. At the same time, many companies today want to understand the relationship between commitments to CSR/sustainability and the bottom line. While the dynamic between CSR and the bottom line differs between companies, and there are likely no definitive conclusions that can be drawn about the relationship, efforts to understand this complex dynamic will probably benefit companies like Teck Cominco and help them focus resources in more efficient and effective ways.

For Teck Cominco, the “journey” is not over. There is more the company wants to do, and with the support of its community partners, Teck Cominco has the capacity to reshape our understanding of what CSR looks like on the ground.

9 Role of Government

Teck Cominco's views on the role of government in the area of CSR is partially reflected in the company's choice of terminology. Teck Cominco prefers the term *Corporate Responsibility* over the more common Corporate Social Responsibility, because the former recognizes that other institutions (such as governments) bear primary responsibility for ensuring social well-being. While Teck Cominco is strongly committed to supporting the efforts of its communities to

address social issues and build sustainable communities, it believes that governments have a leading role in this area. In the context of Corporate Responsibility, Teck Cominco works to support and promote the development of leadership at the community level (as opposed to taking leadership) and, in this way, contributes to broader government objectives related to community development.

According to David Parker, just as industry must integrate decision making, so too should governments avoid operating in “silos”. He notes that “Corporate Responsibility cannot be effectively implemented in an environment where each department simply looks after its own piece of legislation or jurisdiction”. There must be a coherent and cooperative approach, where departments are “on the same page” with respect to CSR and work together through cross-departmental policies on CSR. With respect to information, published benchmark data on best practice is useful to raise awareness and to educate industry on CSR.