April 18, 2018

MPMC Bargaining Bulletin #1

For All Mount Polley Employees

Summary

Last week, the Company tabled a comprehensive offer to bring the current negotiations to a conclusion. We believe the offer is a fair and reasonable basis for a new collective agreement – particularly given the Company's current financial circumstances.

Term: The Company proposes a three-year agreement.

Non-Monetary: Many matters are agreed, with some improvements for employees. Some significant issues are still outstanding, and our offer reflects the Company's position on those issues. (Details are provided below.)

Monetary: The Company has offered wages for 2018 similar to the 2018 wage rates at Gibraltar.

In the current financial situation, the 9% copper bonus cap is no longer sustainable. The Company proposes reducing the cap to 5% (the same as Gibraltar's).

Future general wage increases are proposed at 2.0% for the second year and 3.0% for the third year.

Introduction

The Company and Union bargaining committees were scheduled to meet with the mediator for full days on Friday and on Saturday. The Union and the Company met for two hours on Friday afternoon. The Union didn't show up at all on Saturday (although the Union met with the mediator for a couple of hours). In recent correspondence the Union has advised us that they do not wish to resume negotiations until the middle of next month. This timeline is not acceptable to the Company.

Background

The last collective agreement expired on December 31, 2017. The Company sought to begin collective bargaining long before the expiry, but the Union wasn't available until mid-December. However, over the past three months, the parties have met **9** times to exchange and discuss proposals for a new collective agreement.

We were scheduled to meet with the Union on Friday and Saturday (April 13 and 14). On Friday the Union arrived at mid-day. On Saturday, the Union didn't arrive at all, and instead asked the mediator to go to the union office for a meeting without the Company. After his meeting, the mediator reported to us that the Union wasn't prepared to meet at this time, nor to respond to the outstanding matters. According to the mediator, the Union said that it would contact the mediator at some unstated point in the future when it (the Union) will be prepared to respond.

It is now three and a half months since the expiry of the agreement. We are continuing to work under the terms of the expired contract by the agreement of the parties (and the provisions of the *Labour Relations Code*). The Company believes it is time to bring these negotiations to a conclusion.

The parties have reached agreement on a large number of non-monetary items. Most of these were minor "housekeeping" issues, but some were more significant. The Company agreed to some of the significant items proposed by the Union, and the Union agreed to some proposed by the Company.

However, there are a number of items proposed by both parties that are still outstanding. Some of these are very substantial.

Last week, the Company prepared a comprehensive proposal on all outstanding issues, and sent it to the Union by email two days before the parties met on Friday. At the Friday meeting, the Union responded to all outstanding matters and made some proposals on a few of them.

At the same meeting, the Company went through our comprehensive proposal. We also made an initial response to some of the amended proposals just submitted by the Union, and agreed to make some minor changes. We advised the Union that we are open to further minor changes, if that will result in an agreement for ratification by the Union's membership.

We had more items to discuss on Saturday but, as noted, the Union failed to appear. Consequently, we sent the Union (and the mediator) a number of these amended proposals by email.

To the Company, it appears that the union is deliberately stalling the negotiations, and any further delay in reaching a conclusion to this round of bargaining is unacceptable. The Company believes our comprehensive proposal for a new agreement is a fair basis to bring matters to a conclusion.

The full text of the Company's proposal will be posted on the Mount Polley section of the Imperial Metals website shortly, and a link will be provided to all employees. We invite you to have a look at it. In the meantime, here is a short description of some of its main features, and a few comments on some of the outstanding Union proposals.

Non-Monetary and Minor Monetary Items

- The Company agreed to increase the right to retain seniority on layoff for all employees to one year (instead of only six months for junior employees) in order to provide more job security for junior employees.

- The Company also agreed to allow seniority to be accumulated during layoffs (instead of just maintained).

- The Company proposes that senior employees who are asked to transfer to another shift or rotation must give "due consideration" to the request, but the Union hasn't agreed. (As in the current agreement, the junior employee must accept a proposed transfer.)

- The Company proposes that the current language in 8.13 regarding layoff notice be changed so that the relationship to the *Employment Standards Act (or* ESA*)* is clarified. The present maximum of 12 weeks notice (which is better for employees than the *ESA* provision) is retained. The Union has not agreed to the proposal.

- The Company proposes replacing the current 9.09, which deals with what happens where there are no successful applicants for a job posting from within the department. The proposed language would set out a clear four-step sequence: (1) qualified applicants from outside the department; (2) training the senior applicant from within the department where practical; (3)

training the senior applicant from outside the department where practical; and (4) hiring outside. The Union has not agreed to the proposal.

- The Company proposes changes to the grievance procedure to clarify the time limits and to add a provision for employer grievances. The Union has agreed to include a provision for employer grievances, but other matters are outstanding.

- The Union proposes limiting the Company's right under the present agreement to use temporary employees for vacation relief and special projects. The Company believes that, in many situations, this would be impractical and often very expensive. This item is outstanding.

- The Union seeks "adequate, private and confidential space on site for the union... exclusively for the union's use and will be secured with a lock that only the Union will have access to". The Company does not agree this is necessary.

- The Union proposes that the Company pay the Union's bargaining committee members for negotiations meetings, including when the employees are not losing pay from work. The Company is willing to pay for lost time, but is not willing to pay for time when employees aren't scheduled to work.

- The Company proposes increasing the tool allowance by 10 cents an hour, adding lube service, and changing the Company's obligation to replace lost and broken tool to just broken tools. The Union isn't willing to discuss any monetary matters until all non-monetary matters are resolved.

Major Monetary Items

As the Union and most employees know, the Company is going through a very difficult financial time. The Company is struggling to avoid major financial losses, due mainly to the need to process uneconomical, low-grade copper. This situation is temporary. If we can get through this period, the future of the mine looks much more secure.

While we are in this difficult period, the Company is paying an average wage and copper bonus for 2017 that is already significantly higher than the average <u>2018</u> wage and copper bonus at Gibraltar. The Company believes that we must address this situation.

The biggest difference between the rates at the two properties is the result of Gibraltar's 5% cap (compared to MPMC's 9% cap) on the copper bonus. The theory behind a copper bonus is that companies should share higher profits when copper prices are high, but should be relieved from some of the additional costs when a mine has lower profits or is unprofitable.

The MPMC copper bonus doesn't work as intended because the trigger rates for percentage increases are based on copper prices that are far out-of-date with the realities of today's costs of production. Ideally, the bonus provision should be completely redesigned. As an interim measure, the trigger rates need to be adjusted and the cap needs to be reduced. Our proposal adopts Gibraltar’s 5% cap.

The basic rates are also aligned with Gibraltar's 2018 rates with slight variations, (except for the MPMC apprentice rates, where ours are higher). In two classifications, there are reductions to the base rates (to match Gibraltar's). In those two cases, all employees currently in those classifications will have their base rates protected: the Company will maintain their 2017 base rates, and apply the new bonus and future increases to those rates, as long as the current employees are in those positions.

There is no question that the reduction of the copper bonus cap will have an impact on employees' total take-home pay. No one is happy about this. However, it is consistent with the theory that a copper bonus should reflect a mine's economic bad times as well as its good times.

In years 2 and 3 of the agreement, the basic wage will increase by 2% and 3%. The trigger rates for the copper bonus will be adjusted according to the rate of inflation, so the relevant rates will keep current instead of becoming more and more out-of-date over time.

The Road Ahead

The Company accepts that the Union needs some time to do 'due diligence' on our proposal, and to consult with its members.

The Company expects the Union and employees to give careful consideration to our proposal. We are prepared to meet with the Union at any reasonable time to discuss realistic amendments to our proposal – but we are not prepared to accept further delays.

Failing agreement within a reasonable period, the Company will take the steps necessary to legally implement the proposed provisions. The *Labour Relations Code* requires that only a strike or lockout (or a new agreement) can terminate the current provisions. For that reason, if there is no agreement, the Company may impose a short lockout, probably less than one full shift. After the end of the brief lockout, employees will be invited to return to work under the terms set out in our comprehensive offer.

If the Company decides that a lockout is the only feasible option, both the outgoing crews and the incoming crews (after the brief lockout has ended) will meet with the Company to have all options explained to them and answer any questions that may arise.

This bulletin is authorized by
Dale Reimer, General Manager
Mount Polley Mining Corporation

Note

The **MPMC Bulletin** provides the Company's view of the status of bargaining. The Company has tried to be completely accurate as to matters of fact, and to be fair in its comments.

Bargaining is complex, and it is possible that there are some inadvertent factual errors in the Bulletin. If there are errors, we invite the Union to bring them to our attention and we'll correct them in a subsequent bulletin.