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Remuneration report

This remuneration report was prepared by the Remuneration Committee and sets out the Company's remuneration policy and practice for the Directors. The report also provides details of Director remuneration for the year ended 31 December 2008.

Remuneration policy

A remuneration policy for the Board Directors was adopted by the General Meeting of shareholders in April 2008 and applied during the financial year 2008.

The objective of the remuneration policy is to attract, retain and motivate highly qualified Executives by providing well-balanced remuneration. The remuneration policy aims to ensure that a competitive remuneration package for the Executive Directors is maintained and benchmarked against other multinational companies based in Europe and operating in global markets. In order to align executive performance with shareholder value, the remuneration of Executive Directors is linked to individual and NWR Group performance. The remuneration package includes a significant variable part in the form of cash bonus incentive and a long-term incentive in the form of stock options and grants. The remuneration policy also sets out remuneration of Non-Executive Directors, as described further. While the remuneration policy applies to the Board Directors, the Remuneration Committee is also responsible for proposing to the Board individual salary levels, bonuses and other benefits for a number of senior managers and key employees defined by the Remuneration Committee.

Remuneration of Executive Directors

Each Executive Director's total remuneration consists of a salary, a bonus, long-term incentives in the form of options or share awards and other benefits. An appropriate balance is maintained between the fixed and performance-related elements of executive remuneration.

Base salary

The Remuneration Committee reviews base salary levels for Executive Directors taking into account external benchmarks, and makes proposals to the Board. When setting salary levels each year, the Remuneration Committee takes into consideration individual performance, NWR Group performance and changes in responsibilities.

Bonus

Executive Directors may be awarded cash bonuses by the Board upon proposal by the Remuneration Committee. Bonuses are granted upon the achievement of financial and non-financial benchmarks at the discretion of the Remuneration Committee. Executive Directors were awarded cash bonuses following the successful completion of the IPO and Board-approved strategic initiatives. Mr. Beck may earn a discretionary cash bonus up to CZK 8,000,000 per annum. The actual amount of the cash bonus is determined by the Remuneration Committee upon the achievement of financial and non-financial benchmarks.

Share awards plan for the CEO of OKD

Mr. Beck is entitled to receive from OKD and its affiliates, at the cost of OKD, 250,045 A shares of NWR for each full year of his three-year term. In the event that Mr. Beck and OKD agree to extend his employment term beyond the initial three years, he is entitled to receive 250,045 A shares in NWR for each full year of the term beyond the initial three years up to a cumulative total maximum of 1,250,225 A shares of NWR. Should OKD fail to procure timely transfer of such shares to Mr. Beck, it shall pay the cash amount equal to the then market value of such shares.

Stock option plan for the Chairman of the Board

Mr. Salamon was entitled to be awarded with 0.1 per cent of the issued A share capital of NWR on the first anniversary of his employment agreement and on each of the next four anniversaries of his employment. Both Mr. Salamon and NWR expressed their wish to award Mr. Salamon with share options rather than shares. Based on the Board resolution adopted in August 2008, Mr. Salamon was awarded share options in the amount equal to 0.5 per cent of NWR's share capital as per the date of grant. Each share option will give Mr. Salamon the right to acquire one A share on the vesting date. The exercise price per option is EUR 0.01. The option award will enable Mr. Salamon to ultimately acquire 0.5 per cent of NWR's share capital by 1 September 2012, provided that (i) he remains an executive member of the Board and (ii) any other conditions for vesting have been met. On 1 September 2008, 263,800 options vested. On each subsequent anniversary an additional 20 per cent of the awarded options shall vest. The shares acquired through the exercise of vested options cannot be disposed of before the so-called lock-up period (which is a period of 365 days from launching the IPO in May 2008) for A shares held by Executive and Non-Executive Directors.

Stock option plan for Executive Directors, senior management and key employees

NWR operates a stock option plan (the "SOP"), which was adopted by the General Meeting of shareholders in April 2008. The SOP was designed with the assistance of Mercer. The plan is operated and administered by the Board and the Remuneration Committee.

Eligibility

Executive Directors, members of senior management and key employees of the NWR Group are eligible to participate in the SOP. Individual eligibility is determined by the Remuneration Committee on a discretionary basis.

Grant of options

The Board may, at its discretion, grant options to acquire A shares under the SOP to any eligible employee. Generally options can only be granted in the days following the publication of the annual results of the NWR Group. The maximum number of A shares over which options may be granted under the SOP may not exceed 3 per cent of the issued A share capital of NWR at the IPO.

Grants can also be made by the Board in one-off situations, for example in the event of initial grants to new employees and additional grants in the event of promotion.

Exercise price

The exercise price of options granted at the IPO date was GBP 13.25. The exercise price in respect of any other options granted under the SOP will not be less than the average opening value of an A share on the London Stock Exchange on the 5 business days immediately prior to the date of grant. The total number of options granted in 2008 was 619,878 and their total monetary value was GBP 2,631 million (approx. EUR 3,314 million) which was calculated based on the generally accepted Black-Scholes model.

Exercise of options

Options vest after a three-year period, provided the option holder remains a Director or an employee of the Group. The exercise of options is dependent on pre-established internal financial and operational criteria determined by the Remuneration Committee. For Executive Directors, EBITDA threshold and target performance were determined for vesting purposes. For senior management and key employees of the NWR Group, production and cost control thresholds and targets were set. For each year during the vesting period, one third of the granted options become eligible for vesting. 50 per cent of the stock options vest if the threshold performance is achieved, and 100 per cent of the stock options vest if the target performance is achieved. Vesting between threshold and target is on a straight-line basis. Individual threshold and target performance are set each year by the Remuneration Committee as part of the normal budgeting cycle.

Options which have not been exercised will normally lapse on the eighth anniversary of their grant. Options may, however, be exercised early under certain circumstances, including a termination of employment, a takeover, a scheme of arrangement or the winding up of the company. Options are not transferable and may only be exercised by the persons to whom they are granted.

Individual limits

Unless the Remuneration Committee determines that exceptional circumstances apply:

(i) options may not be granted to a member of senior management if this would cause the total amount due on the exercise of any options in a single year to exceed his fixed annual salary in the 12 months prior to grant, or to exceed five times his fixed annual salary in the 60 months prior to grant; and (ii) options may not be granted to a key employee of the NWR Group if this would cause the total amount due on the exercise of any options granted in a single year to exceed 60 per cent of his fixed annual salary in the 12 months prior to grant, or to exceed three times his fixed annual salary in the 60 months prior to grant.

Termination of employment

Executive Directors are not entitled to any benefit upon termination of their employment agreement other than the contractual benefits that apply during the notice period. If an option holder ceases to be a Director or employee of the NWR Group for reasons involving misconduct, all his options will lapse. If an option holder is deceased, retires at normal retirement age, is made redundant or retires through illness or injury, his options may be exercised on a proportionate basis dependent upon the time which has elapsed since the date of grant and the relative satisfaction of any applicable performance condition.

Change in control

In the event of a change in control of NWR, all options will vest.

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Issue of A shares and variation in share capital

A shares issued in a single year of options will rank equally with A shares in issue at that time, except in respect of rights arising by reference to a prior record date. Options may be adjusted following certain variations in the share capital of NWR, including a capitalisation or rights issue, subdivision or consolidation of share capital.

Amendments

The Remuneration Committee manages, administers, and interprets the SOP at its discretion. The Remuneration Committee also proposes changes to the SOP to the Board subject to the provisions of any applicable law, including but not limited to Dutch corporate law and market abuse laws in both the Netherlands and the UK.

Termination

The Board may terminate the plan at any time. If this happens, no further options may be granted but the provisions of the plan will continue in relation to options already granted. No options may be granted after the eighth anniversary of the date of adoption of the plan.

Other benefits

In addition to the salary, bonus and share based incentives, additional benefits may be granted to Executive Directors, such as relocation allowances, accommodation allowance, school fees, medical insurance and company car arrangements. These do not include pension benefits.

Service contracts of Executive Directors

The terms upon which Executive Directors have been engaged are summarised below:

Name	Date of appointment	Termination date for appointment	Notice period ⁽¹⁾
Mike Salamon	1 September 2007	–	12 months notice by NWR; 6 months notice by Director
Klaus-Dieter Beck ⁽²⁾	1 July 2007	–	6 months notice by either party
Marek Jelínek	6 March 2007	–	2 months notice by NWR; 1 months notice by Director

⁽¹⁾ The service contracts of Executive Directors provide for payment of salary alone in lieu of notice.

⁽²⁾ The applicable law governing Mr. Beck's employment agreement provides for a statutory severance payment of three average monthly salaries. However, he would only be entitled such severance payment, if the position of Chief Executive Officer has been cancelled (and not in the event of his replacement by a new manager).

Review of compensation of Executive Directors and senior management

At its meeting held in January 2009, the Remuneration Committee decided to engage Mercer to review the compensation of Executive Directors, senior management and key employees. The objectives of the review are to streamline and harmonise compensation across the NWR Group, review the KPIs used in determining performance related compensation, and ensure that there is adequate balance between short-term financial performance and those linked to longer-term shareholder value creation.

The Board has also reviewed the salary of the CFO of NWR for 2009.

Remuneration of Executive Directors in financial year 2008

The tables below provide a description of the pre-tax remuneration of Executive Directors for the fiscal year ended 31 December 2008.

Executive Directors' emoluments and cash remuneration

Name	Gross Salary EUR	Cash bonus EUR	Other benefits ⁽²⁾ EUR	Total EUR
Mike Salamon	323,383	–	–	323,383
Klaus-Dieter Beck ⁽¹⁾	495,580	1,077,247	636,322	2,209,149
Marek Jelínek	215,000	–	107,602	322,602

⁽¹⁾ Mr. Beck receives his remuneration in CZK. The amounts stated in this table were converted into EUR from CZK at an exchange rate of 24.9463 CZK/EUR which was the average exchange rate in 2008.

⁽²⁾ Includes in-kind compensation, e.g. personal travel costs, additional health insurance, housing etc.

Stock option grants

Name	Date of grant	At 1 January 2008	Granted	Vested	Lapsed
Mike Salamon	01/09/2008	–	1,319,000	263,800	–
Klaus-Dieter Beck	–	–	–	–	–
Marek Jelínek	09/05/2008	–	39,776	–	–

Name	Exercised	At 31 December 2008	Vesting date	Expiry date	Exercise price
Mike Salamon	263,800	1,055,200	01/09/2008 ⁽¹⁾	–	EUR 0.01
Klaus-Dieter Beck	–	–	–	–	–
Marek Jelínek	–	39,776	09/05/2011	–	GBP 13.25

⁽¹⁾ 263,800 options vested on 1 September 2008. An additional 20 per cent of granted options vest on each subsequent anniversary of 1 September 2008.

Share awards

Name	Date of grant	At 1 January 2008	Granted	At 31 December 2008
Mike Salamon	–	–	–	–
Klaus-Dieter Beck ⁽¹⁾	01/07/2008	–	250,045	–
Marek Jelínek	–	–	–	–

⁽¹⁾ In July 2008, Mr. Beck received a cash amount of CZK 138,390,406 (which is approx. EUR 5,548,000) equal to the then market value of 250,045 A shares he was entitled to receive.

Total remuneration of Executive Directors

Name	Salary EUR	Cash bonus EUR	Other benefits EUR	Value of stock options granted in FY 2008 EUR	Value of share awards in FY 2008 EUR	Total in FY 2008 EUR
Mike Salamon	323,383	–	–	8,089,490	–	8,412,873
	4%	–	–	96%	–	100%
Klaus-Dieter Beck	495,580	1,077,247	636,322	–	5,548,000	7,757,149
	6%	14%	8%	–	72%	100%
Marek Jelínek	215,000	–	107,602	38,200	–	360,802
	60%	–	30%	10%	–	100%

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Remuneration of Non-Executive Directors

Non-Executive Directors are appointed for four years by the General Meeting of shareholders. They do not have service contracts with NWR but receive a letter of appointment including terms of reference. The General Meeting may terminate their appointment at any time without any notice.

The remuneration of Non-Executive Directors is part of the remuneration policy approved by the General Meeting of shareholders. In 2008, the Remuneration Committee reviewed the remuneration of the Non-Executive Directors to ensure that remuneration rates were set at a level that will attract Directors of high calibre. Following the review, the annual fee for Non-Executive Directors was set at GBP 60,000, later changed to its EUR equivalent of 76,065 by a resolution of the Board in 2009, and will be reviewed annually by the Remuneration Committee. Non-Executive Director remuneration was also designed to reflect additional responsibilities of Board committee chairmen and members. Non-Executive Directors are also reimbursed for all reasonable and documented expenses incurred in performing their role.

Upon completion of the IPO, each of the Independent Non-Executive Directors were granted A shares valued at EUR 200,000. The terms and conditions of the award are described in a share plan and require each Director to hold the A shares for a minimum of one year after their award. The number of A shares granted was equivalent to EUR 200,000 divided by the offer price of GBP 13.25 (EUR 16.69), and each Director received 11,852 A shares upon completion of the IPO valued at EUR 1,200 million. Each of the Independent Non-Executive Directors will be awarded additional A shares valued at EUR 200,000 on the first anniversary of the first grant in May 2009. The number of A shares to be awarded is equivalent to EUR 200,000 divided by the average of the highest market prices per share on each of the five trading days as reported by the London Stock Exchange.

Remuneration of Non-Executive Directors in Financial Year 2008

Name	Annual fee GBP	Committee Chairmanship annual fee GBP	Committee membership annual fee GBP	Total compensation EUR ⁽⁴⁾ ⁽⁵⁾
Zdeněk Bakala ⁽¹⁾	60,000	25,000	10,000	144,907
Peter Kadas	60,000	20,000	–	91,341
Alex T. Krueger	60,000	–	10,000	80,480
Hans Jürgen Mende	60,000	–	–	69,617
Milan Jelínek ⁽²⁾	60,000	–	–	69,617
Christiaan Norval	60,000	–	–	69,617
Pavel Telička ⁽³⁾	60,000	–	–	69,617
Bessel Kok	60,000	50,000	20,000	140,576
Hans-Jörg Rudloff	60,000	–	45,000	112,401
Steven Schuit	60,000	–	60,000	127,715
Barry Rourke	60,000	50,000	25,000	143,151
Paul Everard	60,000	40,000	25,000	133,560

⁽¹⁾ Total compensation of Mr. Bakala includes remuneration received from OKD for his Board membership in 2008.

⁽²⁾ In addition to his fee, Milan Jelínek entered into an advisory agreement with NWR and ICS Trading, a company founded by Mr. Jelínek has been a party to a coke sales contract with OKD.

⁽³⁾ NWR entered into a consultancy agreement with BXL Consulting Ltd; Mr. Telička is the co-founder and Director in charge of the Brussels office of BXL. For further details regarding these contracts, see the related party transactions section of this 2008 Annual Report.

⁽⁴⁾ Excludes the value A shares awarded to Independent Non-Executive Directors.

⁽⁵⁾ The Health, Safety and Environment Committee hosts Messrs. Stan Suboleski and Karl-Friedrich Jakob as permanent guests. Their annual fee corresponds with the annual fee of other members of this committee and amounts to GBP 10,000. In 2008, both gentlemen received a fee in the amount of EUR 8,970 each.

Loans to Directors

As of 31 December 2008, there were no outstanding loans to Directors or members of senior management.

Pension Scheme

The NWR Group does not operate any pension schemes on behalf of, or for the benefit of, its Directors or employees. The NWR Group does not set aside or accrue amounts to provide pension, retirement or similar benefits.

However, the NWR Group does accrue certain pension liabilities under applicable Czech law for medical leave, employment length of service (which is a special benefit paid to all employees in the mining profession once per year based on the length of the employment relationship) and termination payments for its employees. For additional information, see note 28 to NWR's consolidated financial statements for the year ended 31 December 2008.

This Directors' remuneration report has been approved by the Board.

Zdeněk Bakala

Chairman of the Remuneration Committee
25 March 2009