

## Corporate Social Responsibility

# OUR APPROACH

Corporate and social responsibility ('CSR') underpins NWR's entire operations.

### Strategy

Corporate responsibility and sustainable development are key elements of NWR's corporate strategy. The core areas of our CSR strategy are corporate governance, our employees, environmental protection, the application of modern technologies, and relationships with communities where NWR operates.

### Corporate Governance

NWR is committed to maintaining high standards of corporate governance, which takes into account international best practice requirements. Management's role is to promote the achievement of the corporate objectives and protect the interest of NWR Group, its shareholders and other stakeholders including business partners and customers.

### Our people

Caring for our employees across areas including safety, health care, a suitable working environment, fair remuneration and education, is a top priority. Every year NWR invests considerable amounts of time and money in improving safety measures implemented at our workplaces as well as in training our employees.

### Communities

NWR maintains close relationships with the communities in which we operate and aims to develop and maintain mutually beneficial partnerships. We also invest significantly in cultural, sports and educational activities wherever we operate.

### Environment

As a mining company, we are very aware of the impacts of our activities on the environment wherever we operate. NWR strives to employ all means available to optimise the benefits and mitigate any adverse environmental impacts of our operations.

### Health, Safety and Environment Committee ('HSEC')

The HSEC was established in 2007 to assist NWR's Board of Directors in its oversight of health, safety and environmental risks within NWR and its subsidiaries including the Group's compliance with applicable legal and regulatory requirements associated with HSE matters. Thus the HSEC provides the Board with additional focus, insight and guidance on key HSE issues of NWR Group and global trends. The members of the HSEC are: Paul Everard (Chairman), Mike Salamon, Klaus-Dieter Beck and Steven Schuit. The meetings are also regularly attended by Ján Fábian, Chief Operating Officer of NWR who is responsible for the operations of NWR KARBONIA S.A. ('NWR KARBONIA') and OKK Koksovny, a.s. ('OKK Koksovny'), and by two external experts, Stan Suboleski and Karl-Friedrich Jakob, both members of the Board of OKD, a.s. ('OKD').

Further details on functioning and activities of the HSEC may be found in the Corporate Governance section of this report on page 57.

### Sponsorship and Donation Committee ('SDC')

CSR activities are co-ordinated by the NWR SDC, which was established by the Company's Board of Directors in 2009. Reporting to the Company's Board, the SDC has decision making powers in respect of collecting incoming applications for financial assistance, evaluating, assessing and adopting decisions on the applications received, in line with the CSR strategy and the budget, administering the approved projects, communicating with the applicants, and submitting annual reports on sponsored projects to the Board. The Committee meets at least once a year and more frequently as necessary. In the interim, the Committee assesses application requests.

### Sustainability Reporting

The extent of the CSR activities has outgrown the scope of its regular Annual Report. Thus, for the first time, NWR is publishing a separate CSR review, which includes a comprehensive overview of these activities in 2010. In line with our aim to further develop our sustainability reporting, NWR intends to issue a sustainability overview annually, shortly after the release of the Annual Report and Accounts.

### Our performance in 2010

In 2010, NWR continued to develop the core areas of its CSR strategy: Corporate Governance, Our people, Community, Environment. Our performance in each of these areas is outlined in more detail below.



Mine rescuer training at HBZS, OKD mining rescue service

### Our activities in detail

#### Our people

At NWR, employee safety is a key priority, along with the provision of comprehensive health care, support for employees' education and fair compensation that stands well above the regional average.

#### 1. Safety

Safeguarding the health and promoting the safety of our workers is an integral part of our business. We have well-developed safety guidelines, processes and monitoring systems throughout our mines and coking plants. Every one of our employees is trained to be aware of risks and to take personal responsibility for their own safety and that of their fellow workers.

#### Safety investments

Our safety record is comparable to international industry standards and we are constantly striving to improve it.

NWR's dedicated safety investment programme, 'SAFETY 2010', has seen EUR 17 million invested in improving health and safety across our mining operations, including upgrading equipment for our miners with the aim of providing each miner with new and better equipment by the end of 2010. As a result, more powerful, lighter lamps, stronger boots, clothing with reflective strips and the latest self-rescue devices were issued to every miner.

#### Results of our investments

Our constant efforts to improve safety, our

focus on accident prevention and our investment in new mining technologies, protective aids and equipment have delivered encouraging results. Over 2010, the Lost Time Injury Frequency Rate ('LTIFR')<sup>1</sup> has dropped by 24 per cent at our mining operations compared to 2009, from 12.00 to 9.13 respectively.

The cutting edge technology installed across our mines within the EUR 350 million Productivity Optimisation Programme 2010 ('POP 2010') has also had a direct impact on improved health and safety.

#### Mining Rescue Service – OKD, HBZS, a.s.

The main role of OKD, HBZS is to provide mining rescue services across all OKD's mines. As well as responding rapidly and efficiently whenever required to deal with any incidents on site, including saving lives and providing first aid underground, the Mining Rescue Service is also on hand to assist the civic emergency services in responding to incidents involving the general public.

#### Continuous Improvement

Under the Continuous Improvement Programme employees are invited to submit suggestions on ways to improve safety, working conditions and efficiency. Each successful suggestion earns the employee responsible a 1,000 Czech Koruna award, with additional incentives once the proposal has been implemented and benefits recognised. In 2010, more than 1,075 suggestions were submitted, of which 742 were implemented by the Company.

## Corporate Social Responsibility continued



MFK OKD Karvina Football Club

### 2. Care for our employees' health

We care about our employees' health and quality of life. All employees receive periodical medical check-ups. Also, employees at certain mining operations of our OKD subsidiary are entitled to reconditioning stays and rehabilitation care. Children of employees can obtain contributions towards medical assistance. NWR also contributes to premium health care for active as well as retired miners. The Company foundation regularly contributes towards new diagnostic equipment for hospitals via grants. Preventative care in the area of employees' health is also a major commitment at our OKK Koksovny subsidiary.

### 3. Fair rewards and holidays

NWR maintains a constructive relationship with our employees and the trade unions. The Company believes that remuneration should correspond to work levels and market conditions. The average wage of NWR's mining operations employees exceeds the regional average by nearly 50 per cent.

All employees are entitled to five weeks holiday per year. Mining operation workers are additionally rewarded for their demanding work with an extra week of leisure.

We provide our employees with financial contributions for holidays and Christmas, for recreational activities for their children and covering transport costs. Furthermore, NWR sponsors the children of its employees via scholarships at carefully selected schools in the region.

### 4. Leisure time

NWR's care for its employees also extends to their leisure time. Employees receive vouchers for sports, cultural activities, medical needs, wellbeing and so forth, varying according to the number of years worked for the Company. The Company also supplies transportation for employees travelling to specific operations of the Company.

### 5. Everyday communication with employees

OKD has developed an Intranet interface with easy access to information for its employees as well as English, Czech and Polish language versions of the Company's website.

### 6. Training and development

As one of the largest private sector employers in Central Eastern Europe, NWR is wholly committed to improving the skills of our workers and to helping them develop their full potential. NWR provides several different types of training for employees at our own training centre.

#### OKD

OKD provides several different types of training for employees at its OKD Central Training Centre. The centre serves all our miners in the Karviná region, as well as contracted staff working for OKD.

## Social responsibility in action at NWR

### Q If you were to sum up the key principles on which your corporate social responsibility is based, what would they be?

**A** If we are to describe our approach to corporate social responsibility, we need to start from the nature of the operations our Company is engaged in. By its nature, the extraction of any type of mineral resource has some effect on the natural environment and landscape. In addition, many historical stereotypes in the perception of coal mining still persist, particularly those concerned with environmental pollution. As a result, sustainability has to be the guiding principle for all of us who work in the mining industry. In the areas where we mine coal, our Company has been active in various forms for more than 100 years and we wish to continue pursuing our activities here into the future. If we want to offer the residents of the areas we operate in the prospect of not only long-term employment but also quality of life over the next several decades, then all the steps we take and the investments we make must be governed by the idea of sustainability. That is our fundamental challenge and it is on this that we base our policy of corporate social responsibility.

Petra Mašíňová, Head of Corporate Communications



### Q The core of your activities revolve around your corporate foundation. Why have you opted for this particular model?

**A** The OKD Foundation, created three years ago, is a truly significant pillar of our corporate responsibility, but it is certainly not the only one – there are also projects for increasing occupational safety, employee care and educational support as well as other initiatives. If we talk about the motives for establishing the Foundation, we should go back a few years in our history. NWR's management and shareholders wanted to return a designated portion of the Company's income back into the region in which it operates. The idea was to create a model for resources distribution that would meet the requirements of complete transparency. And a corporate foundation, with four clearly defined grant programmes and a fixed cycle of grant-awarding rounds, best fitted these requirements. The public clearly knows in advance what areas the Foundation aims to channel its resources into, and everyone knows when and under what conditions they can apply for grants. An assessment of the submitted projects is performed in accordance with completely transparent criteria by a panel of publicly selected administrators recruited from respected non-profit organisations from all over the country. And finally, the Foundation provides a continuous stream of information on the actual allocation and use of the resources on its website, in its Annual Report and through other channels.

### Q You mentioned other areas of interest: safety, employees...

**A** At the very beginning, we defined the goal of becoming a model corporate citizen. That, in our opinion, requires not only a comprehensible and transparent programme of corporate philanthropy, but also other equally significant principles of conduct. The relationship with our employees reflects our dedication to creating a safe and healthy working environment for both our employees and their families. This approach includes ensuring safe and adequate working conditions, fair remuneration and open dealings with our employees. We invest considerable resources greatly exceeding the statutory requirement in improving the safety of our operations each year. We consider this to be a matter of course. We have completed a major replacement of the working and protective gear for all those who work underground, increasing not only the level of safety, but also the level of comfort during work. The new state of the art equipment is fully comparable to that used in the most modern mines worldwide. The nature of the mining work is also gradually changing with the introduction of highly automated technology underground.

### Q Why have you not previously released a standard corporate social responsibility report?

**A** We wanted to avoid approaching our CSR policy in a formal manner right at the very beginning. We were more concerned with first starting specific projects, which we considered necessary. Only after that did we wish to present the projects to the public. That is why it is only this year that we are stepping forward with a CSR report. But future reports will be more extensive – we are preparing for regular comprehensive CSR reporting and plan to fully implement it starting from next year.

### Q What was the highlight of 2010 for you?

**A** That would undoubtedly be the great recognition achieved in the Top Philanthropist 2010 ranking, a contest that provides the most prestigious acknowledgement in the field of corporate philanthropy in the Czech Republic. We placed second, which we consider to be an outstanding result given our still rather brief history of sponsorship and donations.

## Corporate Social Responsibility continued

All companies within the NWR Group provide long-term support to employment in the regions in which they operate. Although the desire to work in heavy industry among young people is in decline, this trend can be reversed. Our approach also aims to increase positive perceptions of a career in the industry.

In 2010, a total of 20,605 employees completed training in separate modules, with training time amounting to 17.3 hours per person; 2,409 employees completed the initial training, 4,620 qualifying, re-qualifying, and special courses, and 13,576 regular occupational health and safety training.

OKD has renewed its collaboration with the Vocational School of Technology and Services in Karviná, supporting the introduction of a new three-year curriculum to train mining operation specialists, such as mining electricians and locksmiths.

The families of our workers are also included in the programme. For instance OKD's Academy project, designed to support children in their studies at high school and university, maintaining the traditions of the mining profession and transferring experience from generation to generation.

### **OKK Koksovny**

OKK Koksovny is participating in drawing up a new secondary school curriculum in the Czech Republic for students majoring in coke production technologies. The new curriculum will be integrated into the study of metallurgy, and offered to students by the Secondary Technical School in Frýdek-Místek.

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### **7. Respect for traditions**

Every year a traditional mining festival is organised by OKD. The festival is attended by thousands of people who come, both to have fun and, at the same time, to pay tribute to the demanding but rewarding mining profession. The celebration is dedicated to our employees and their families, but the general public are also welcome.

### **Community**

The long-term development of NWR's business undertakings requires maintaining positive relationships with local communities based on mutually beneficial partnerships. 2010 saw NWR continue to pursue CSR in the two essential fields of donations and sponsorships.

### **Donations**

#### **OKD Foundation**

In 2010, NWR donated EUR 250,000 to the OKD Foundation.

The OKD Foundation, a charitable organisation established by OKD in 2008, has rapidly become a well respected leader in the not-for-profit sector and has supported almost 800 public benefit projects to date through the following key programmes:

- > For Health – social and health care projects.
- > For Joy – cultural and educational projects.
- > For the Future – development of the region and environment.
- > For Europe – help for non-profit-making organisations in obtaining support from EU funds.

One of the projects supported was the civic association 'Filadelfie', which received the OKD Foundation prize in the 'For Health' category in 2010 in recognition of its project to place children from children's homes with surrogate families. The association supports foster care by providing new housing for families that take in several children. The fundamental principle of the association is that children belong in families, not institutions. The award-winning project 'Children Belong in a Family' led to the construction of a seven-room house in the Karpentná quarter of the town of Trinec. The applicants received CZK 1 million from the OKD Foundation fund.

#### **St. Barbara Civic Association**

NWR donated a further EUR 20,000 to St. Barbara Civic Association.

In addition to the OKD Foundation, NWR also directly supports the St. Barbara Civic Association, which helps children who have lost a parent through a mining accident.

The Association was set up by OKD and currently cares for 87 Czech, Polish and Slovak children, supporting their education, health and leisure time by providing them with the finance for a wide range of needs including school fees, accommodation at halls of residence or school hostels, learning aids, language courses, driving lessons, artistic and hobby activities and health care for both the miners' children and their widows.

### **Sponsoring**

In 2010 NWR supported various sponsorship projects, with a total contribution of EUR 153,126.



Rehabilitation project – Lazy settling reservoirs in Karviná

NWR's 2010 sponsorship activities focused on encouraging public discussion on the best utilisation of natural resources in the Czech Republic and Poland. This included support for several specialised conferences. The Company also provided financial support for numerous cultural and sporting activities as well as for regular meetings of entrepreneurs in the Czech Republic.

The Group continued to provide its longstanding support to various sports clubs, and cultural and educational events organised in the Moravian-Silesian region of the Czech Republic. The Company has also provided financial support for an independent festival of modern art.

### Environment

NWR constantly strives to minimise the impact of its operations on the environment in the regions where it operates.

#### 1. Rehabilitation

NWR maintained this approach in 2010 when it further pursued activities including the rehabilitation of landscape affected by its mining activities and processing of coal mining by-products and waste materials.

In 2010, OKD continued its intensive rehabilitation and restoration projects in the Karviná region, which currently cover 55 sites simultaneously. The 'Darkov Sea' project, the

largest project of its kind in Moravia, covering 145 hectares, is nearing completion (estimated in 2014). The investment in this rehabilitation project has exceeded EUR 24.4 million to date and ultimately should see the area restored to a recreational resort. The area is now covered by a lake, with wildlife already returning to the clean waters and its future as a sports and recreation area is assured.

#### 2. Waste management

NWR minimises the impact of waste from its operations.

OKD maintains waste disposal storage sites for waste rock and also sells a portion of waste rock for local use in road building and construction. It also cooperates with Green Gas International B.V. ('GGI'), a company specialising in methane extraction, to purchase superfluous gas from our mines. In 2010 GGI purchased more than 60mm<sup>3</sup> of methane from OKD.

OKK Koksovny's waste management strategy mainly addresses reduction in the amount of waste production, waste separation and safe disposal from its coking operations.

#### 3. Emissions

OKK Koksovny permanently monitors carbon dioxide emissions and progressively improves emission monitoring methods.

The newly built coke battery at the Svoboda coking plant in Ostrava, which was a key part of the Coking Plant Optimisation Programme 2010 ('COP 2010') capital investment programme, is fitted with the latest technologies for capturing air pollutants resulting from the coke production process.