



**Alpha** Natural Resources  
*RUNNING RIGHT*

# Changing Culture: One Year Post-Merger

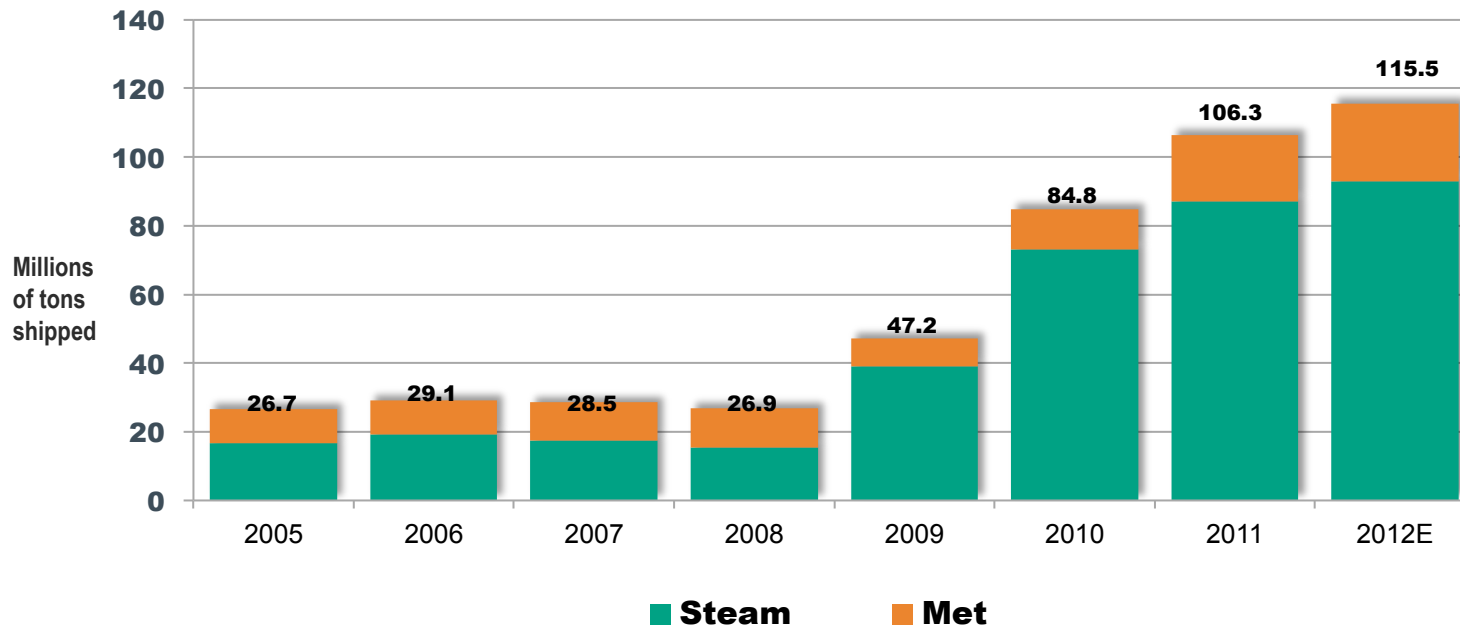
6/13/2012

**John Gallick**  
VP Safety & Health



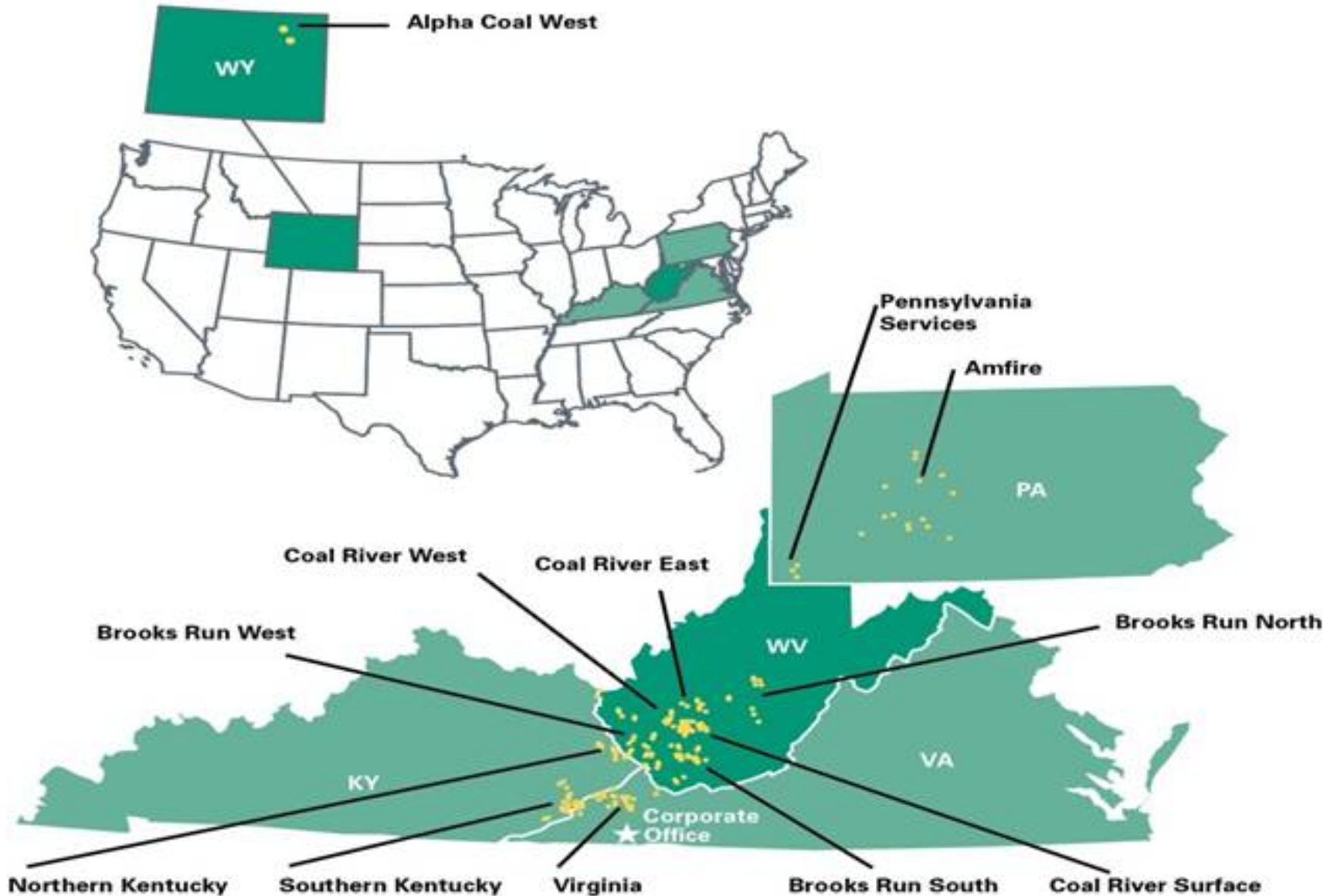
## In less than 10 years ...

- Alpha has grown from a small regional player to:
  - #3 in met coal globally
  - #5 overall coal supplier in the world
  - 14,000 employees
- The most coal exports and export capacity of any U.S. producer
- One of the most diversified US suppliers



Note: 2012E based on the midpoint of guidance

# A Little About Alpha



## Values

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*Running Right...it's who we are.*

We conduct our business safely, ethically, honestly and with integrity at all times.

We care. Caring for one another helps us all return to our families safe and healthy.

We treat each other how we want to be treated.

We trust our people and work together as a team. All employees have an opportunity to contribute their ideas and share in our success.

We communicate openly, build on what we know and learn, and make informed decisions to keep us ahead of the competition.

We embrace change, continuously improving ourselves and our business.

## Challenge:

Quickly Immerse Massey employees into Alpha Culture

- Issues Alpha faced
- Actions taken
- Results to date
- Where we are going

The recent Report to the Governor of West Virginia on the Upper Big Branch (UBB) Disaster by the Governor's Independent Investigation Panel (GIIP) found that "the responsibility for the explosion at the Upper Big Branch mine lies with the management of Massey Energy. The company broke faith with its workers by frequently and knowingly violating the law and blatantly disregarding known safety practices..." The report found that while Massey "was a towering presence in the Appalachian coal fields," it "operated its mines in a profoundly reckless manner." Operating outside the margins of safety became the norm at Massey; the GIIP report described Massey's safety culture as the "normalization of deviance." The report found that Massey "exhibited a corporate mentality that placed the drive to produce above worker safety."

- Letter from Congressman Miller to CEO Kevin Crutchfield 5/31/11

**Changing culture a top priority at Alpha  
Company's 'Running Right' program a strategy for empowering employees  
Beckley Register Herald - June 5, 2011**

Kurt Kost, president of Alpha Natural Resources, said changing the culture at former Massey sites will be a top priority as the companies continue to merge. Kost visited Beckley Friday as he and other top Alpha executives were checking out various aspects of Massey operations. It's more than just safety. "It's the culture of pushing decision-making down," Kost said. "That's one of Alpha's key themes. Yes, we have a corporate group, and we have some general guidelines that we need to work within, but the day-to-day decision-making needs to be done at the mine site within that business unit."



excerpts from Alpha's due diligence examination, which state:

*The entire Massey organization appears to be managed by an autocratic central command and control structure. This can be seen in all facets of the organization and results in senior operating management being involved in lower level mine issues and decisions.*

*The Massey culture is driven by a strong focus on production and its associated components with other facets of the operations such as employee safety and regulatory compliance receiving minimal consideration.*

*The underground site visits indicated a strong cultural emphasis on production first with compliance and outby maintenance on a non-priority basis.*

*The plants are generally poorly maintained and have been for a period of time.*

(Emphasis added)

- Letter from Congressman Miller to CEO Kevin Crutchfield 5/31/11

“Same pig, different lipstick”

- Anonymous MSHA Inspector

## Some Factoids from Pre-June 2011

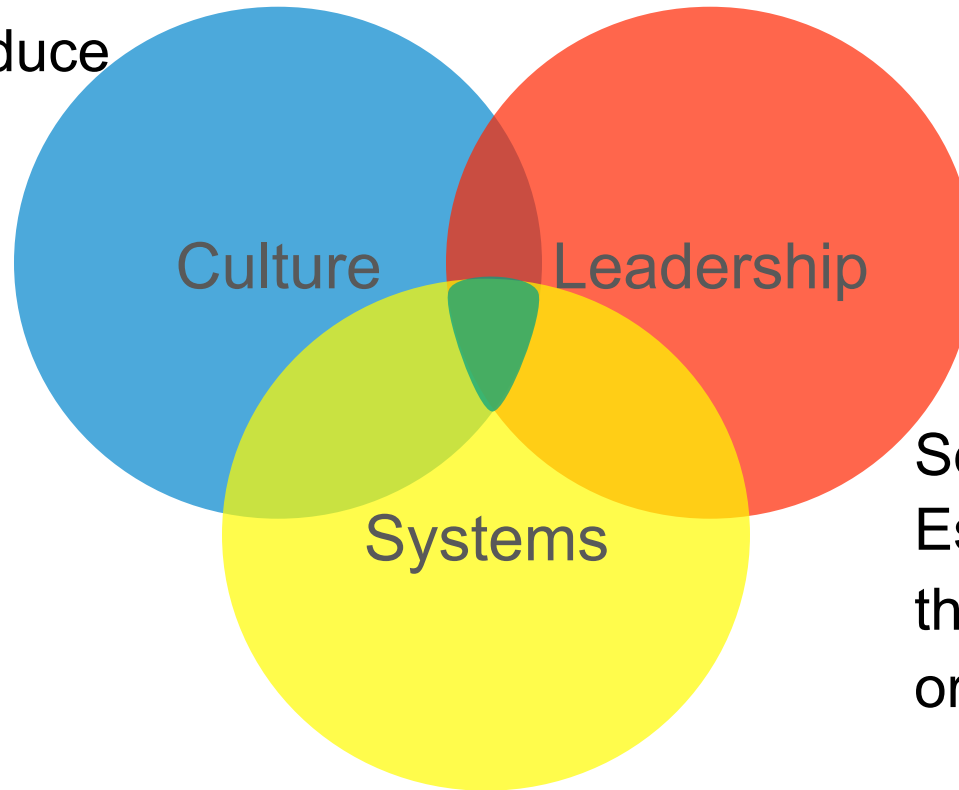
- Upper Big Branch Disaster
  - April 5, 2010
- Aracoma Mine Disaster
  - January 19, 2006
- Violation Data (January to May 2011):

<u>MSHA Citation Information</u>	<u>MEE</u>
S&S Citations	1572
Non S&S Citations	2717
MSHA S&S %	37%
MSHA Inspection Days	6123
MSHA VPID	0.68

<u>MSHA Elevated Enforcement</u>	
104 (d)- Unwarrantable Failure	145
104 (b)- Failure to Abate	26
104 (g)- Untrained Miner	24



First Step: Introduce  
Alpha culture



Second Step:  
Establish leadership  
throughout new  
organization

Third Step: Establish safety  
management system

## The immediate need was to introduce Running Right culture



### Pre-Close Running Right Sessions

- 16 Total Sessions
- Included President, CCO, SVP's, BU Presidents
- High Level of Management Support and Acceptance / Excellent Visible Leadership Support from CEO, President and other ELT.

### Running Right I Sessions / Initial Deployment

- Individual BU Sessions with operations management down to superintendent level
- 8 hour meeting with ALL employees, management, hourly and support
- 178 sessions completed, 5,781 employees trained, >49,000 man-hours
- 400 Sessions Scheduled across 9 Business Units. New employee training complete by 8/31/11. Legacy Alpha refresher sessions completed by end of year.

## The immediate need was to introduce Running Right culture



### Deployment of Running Right Tools

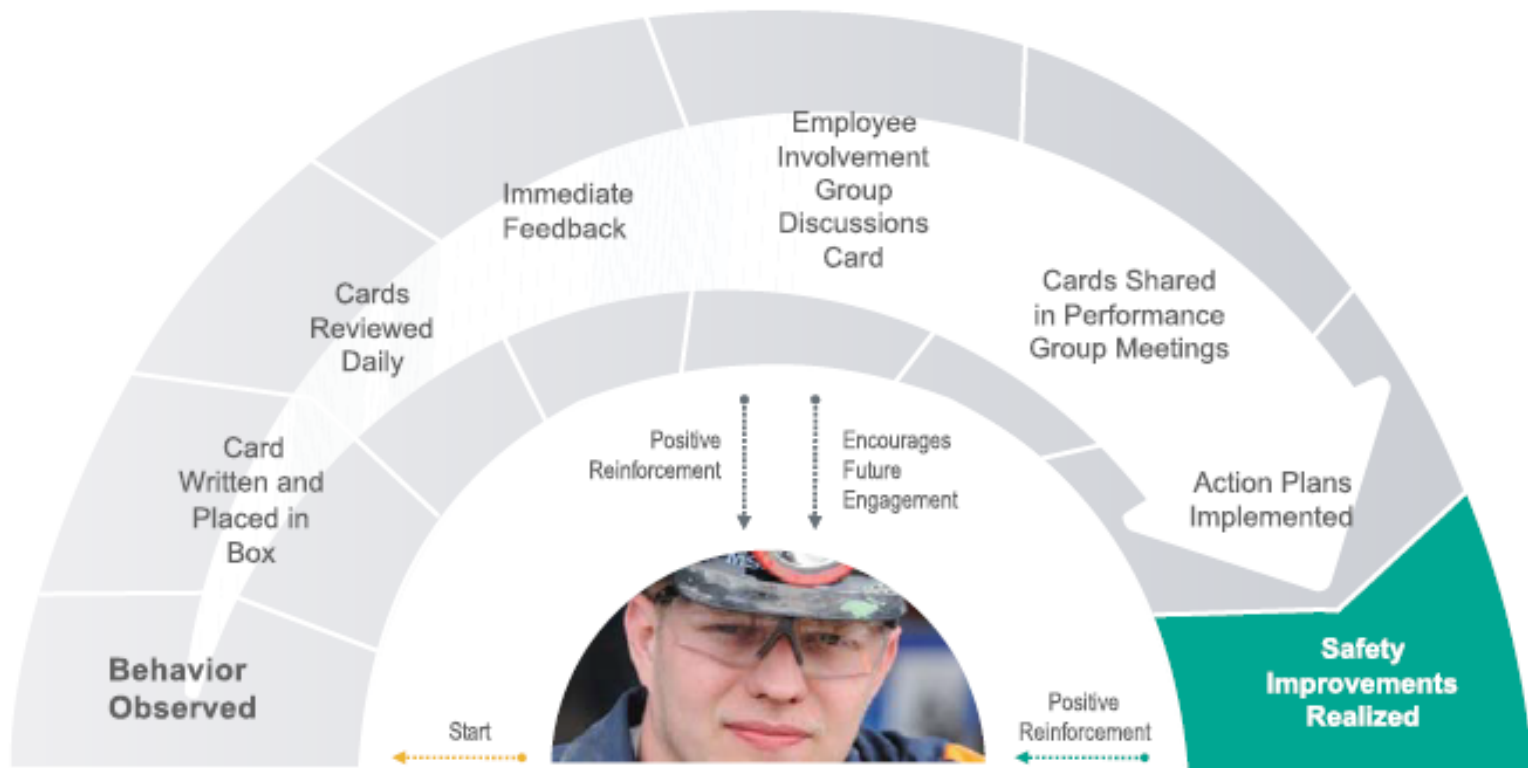
- Observation Process / Cards, Collection Boxes
- EIG's and PG's Established
- Engagement Tracking System in place
- Running Right Toolkit (with support of Champions)
- Best Practice Sharing and Employee Recognition

### Leading Right Session

- 8 hour sessions with all management employees down to front line foreman
- Will commence August 11. CAPP will be completed by 12/31/11
- Cascade training through all levels of management by organizational teams
- 200 sessions will be scheduled across all 12 Business Units

## Emphasizes

- Employee engagement
- Bottom-up involvement
- Employee Involvement Groups (EIG)
- Performance Groups (PG)



# What have we learned about Engagement?



- Over 225 leaders at a conference chaired by CEO
- Leadership pledge signed by attendees

We fuel progress  
around the world.  
And we do this through  
the energy of our people.  
As ambassadors for Alpha and the industry,  
and as leaders, we the undersigned  
make this our personal and collective  
pledge of responsibility:  
We are responsible  
for ensuring our own actions  
support Alpha's higher purpose.  
We are responsible  
to many stakeholders.  
We are responsible  
for embracing Alpha's core values  
we commit ourselves to Running Right.  
We are responsible  
as leaders for acting with courage.



- Leadership training for all managers and supervisors
- Basic Principles
  - Do What's Right
  - Do The Best You Can
  - Treat Others Like You Would Like To Be Treated



- Visible, management support is the single most important ingredient to our safety process.
- Our leaders continually strive to create a culture of transparency and trust which, over time, encourages employee participation.
- Without management support, everything suffers, including the potential safety of our workforce.



Commitment starts at the top

## Do we have...

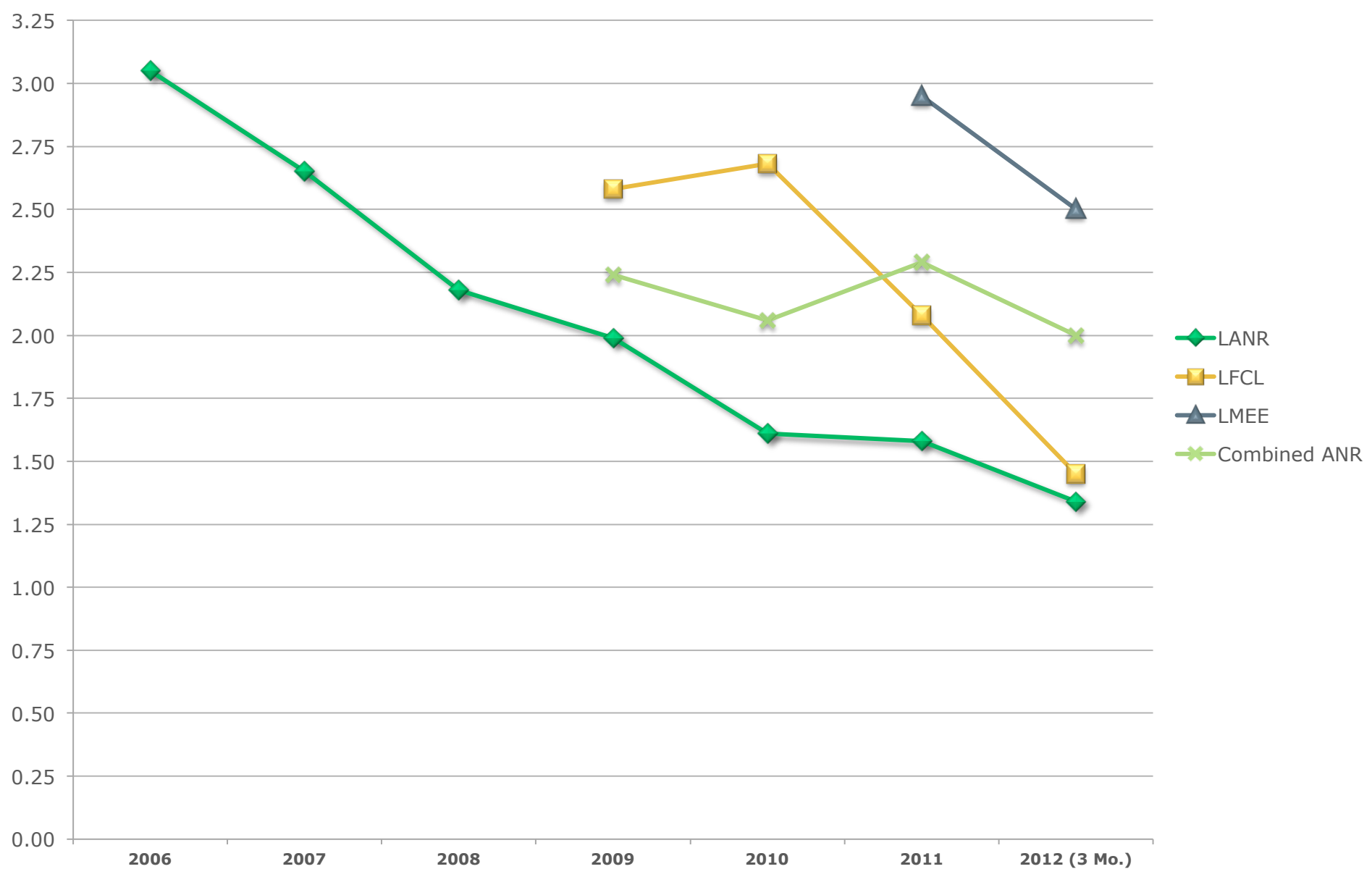
- Strong, visible management commitment?
- Line management accountability and responsibility?
- Relationship of trust between management and hourly employees?
- Encouragement for employees to identify and document at-risk behaviors?



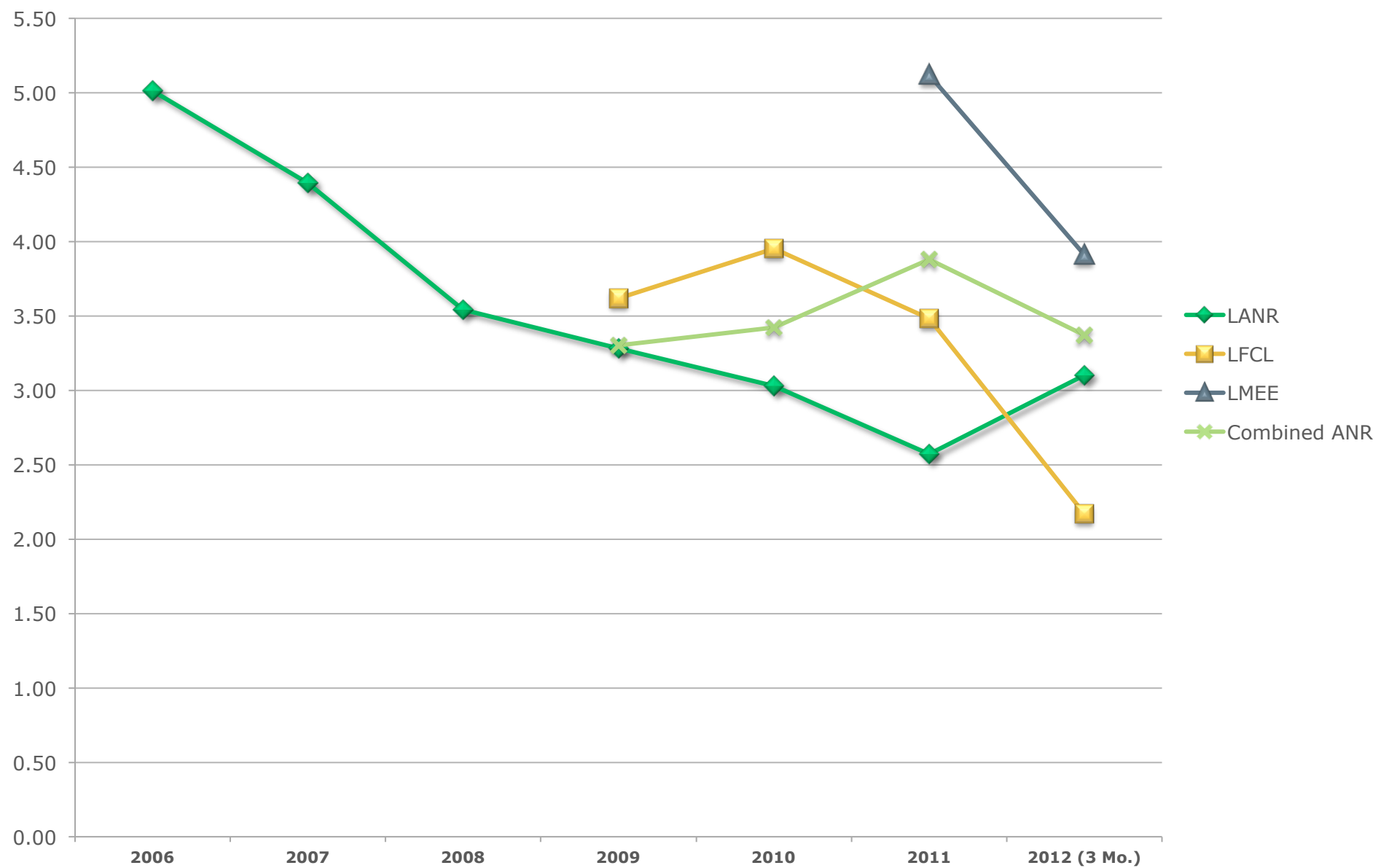
- Running Right Leadership Academy with a developmental curriculum
- Continued training
  - Certified person training
  - Observation training
  - Running Right training
  - Leadership training



# ANR NFDL by Year

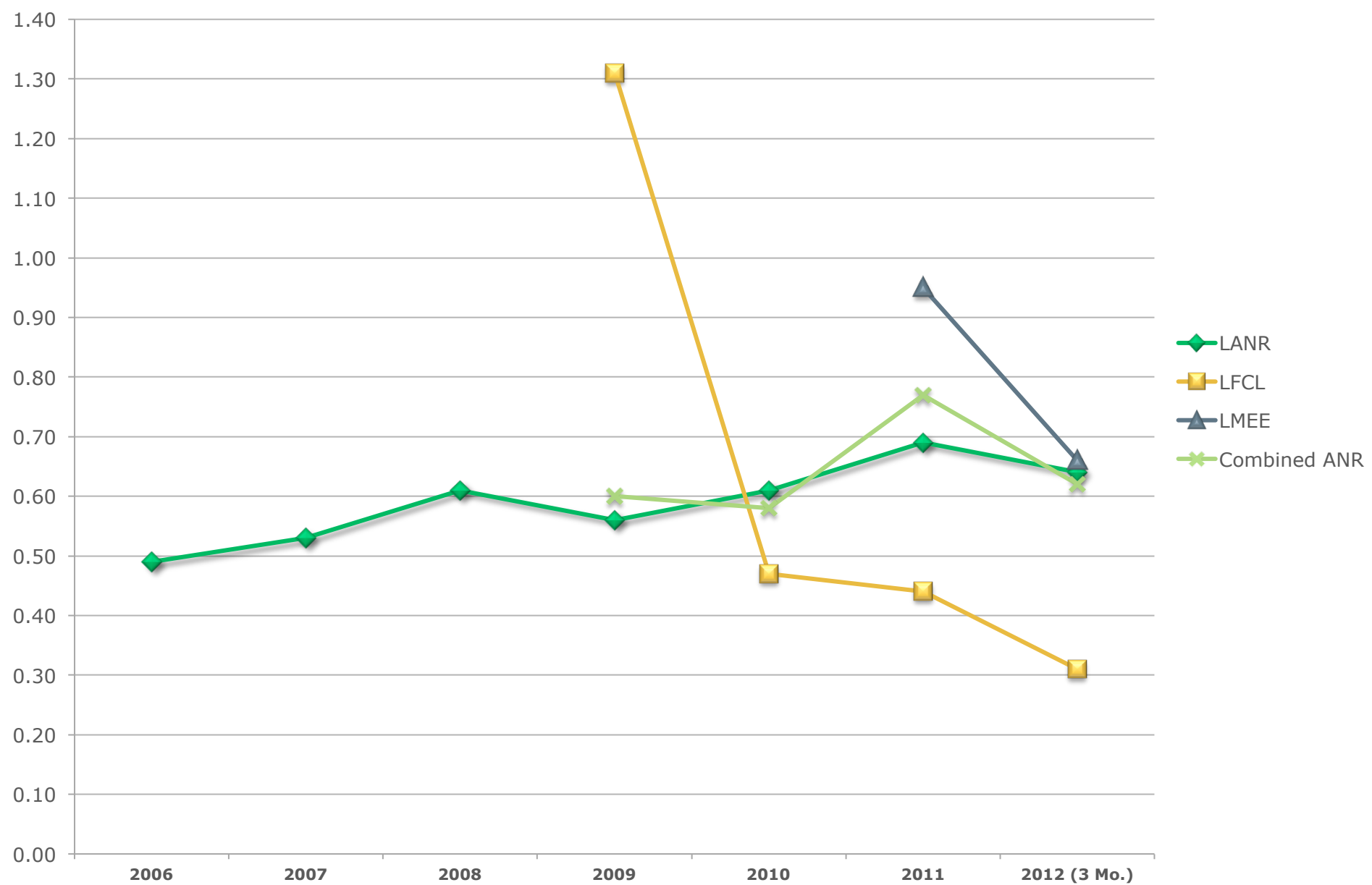


# ANR TRIR by Year

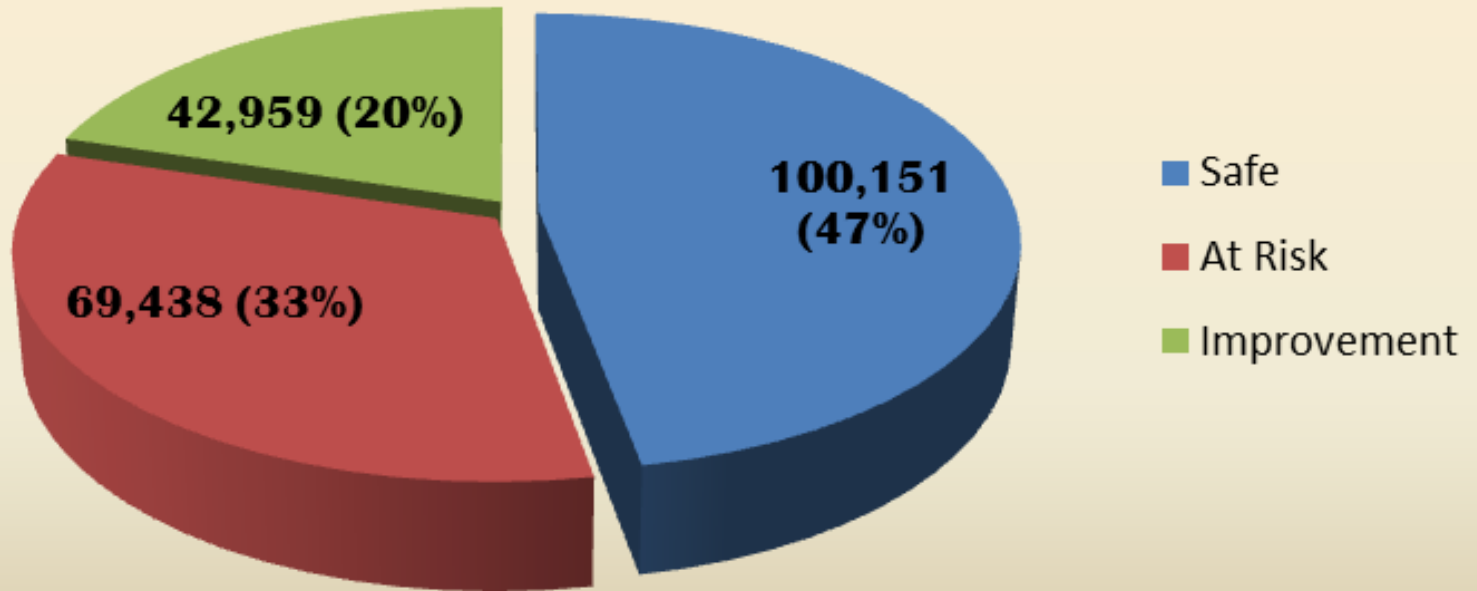




# ANR VPID by Year

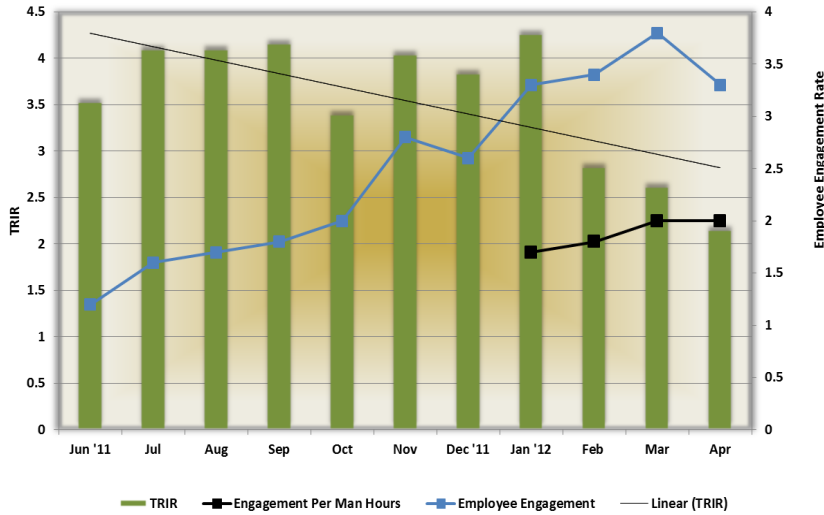


## Type of Card Break Down

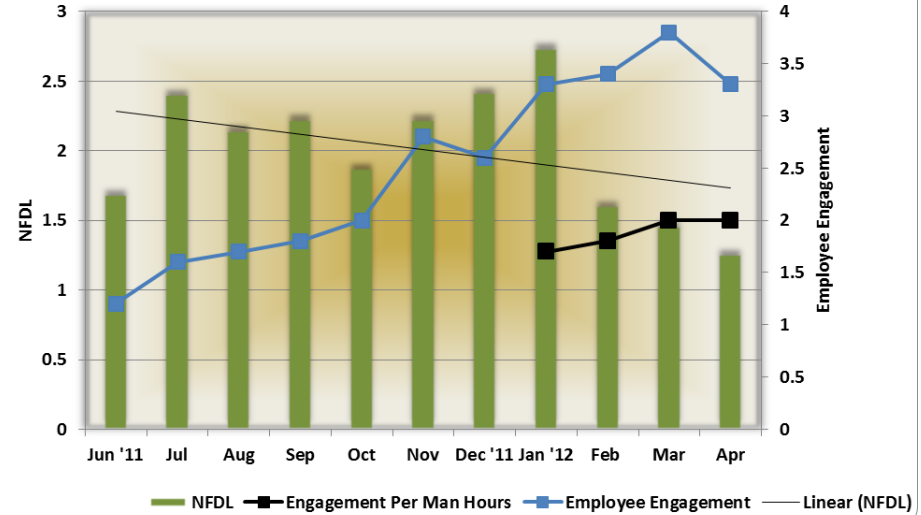


# TRIR, NFDL, Citation, Turnover

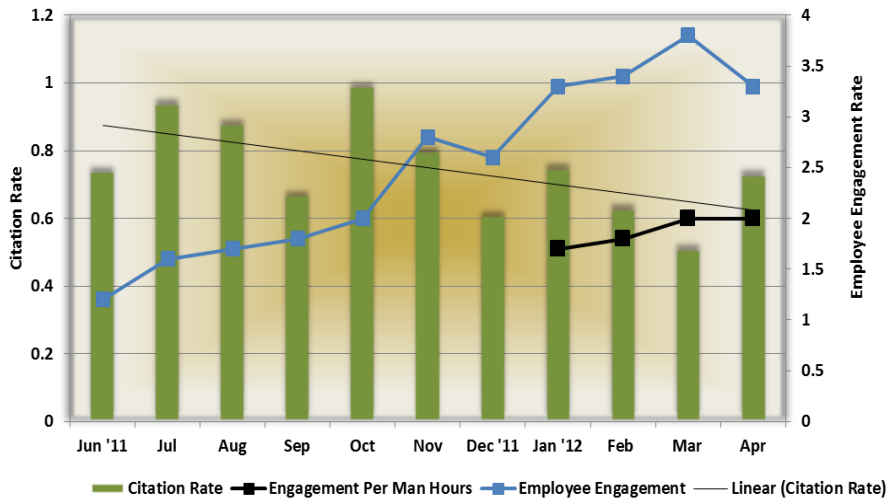
TRIR vs Total Employee Engagement Rate by Month



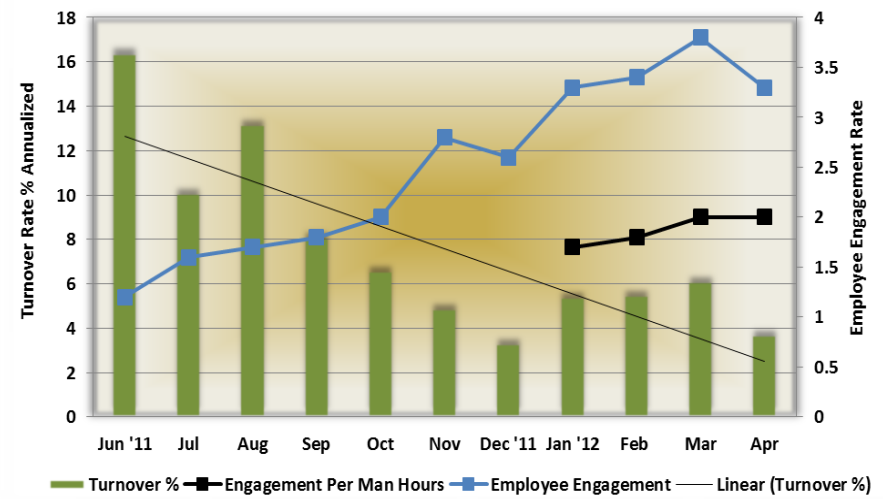
NFDL vs Total Employee Engagement Rate by Month



Citation Rate vs. Total Employee Engagement Rate by Month



Turnover Rate vs Total Employee Engagement Rate by Month



## **Mine Safety Questions Linger, One Year After Takeover Of Massey Energy - Howard Berkes**

Do you believe everything you read or hear in the media?

“To get through the hardest journey we need take only one step at a time, but we must keep on stepping”

- Chinese Proverb

"If I were to try to read, much less answer, all the attacks made on me, this shop might as well be closed for any other business. I do the very best I know how - the very best I can;

and I mean to keep doing so until the end. If the end brings me out all right, what's said against me won't amount to anything. If the end brings me out wrong, ten angels swearing I was right would make no difference."



— Abraham Lincoln



**WE POWER**



**THE WORLD**

**THROUGH THE ENERGY OF**

**OUR PEOPLE**